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# Latin America Report

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11 February 1986

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INTER-AMERICAN AFFAIRS

SIX CARIBBEAN STATES TO RECEIVE INCREASED EEC FUNDING

FL092205 Bridgetown CANA in English 2142 GMT 9 Jan 86

[By Reudon Eversley]

[Text] Bridgetown, 9 Jan (CANA)--Six eastern Caribbean countries will get a 46.2 percent increase in programmable funding from the European Community (EEC) under the Third Lome Convention, according to figures released today.

The figures show that Barbados, St Vincent and the Grenadines, Antigua and Barbuda, St Kitts and Nevis, Dominica and St Lucia would collectively receive aid totalling U.S. 25.6 million dollars, compared with U.S. 17.5 million under Lome II.

European Commission delegate Joannes Ter Haar, told reporters today these countries would also benefit from a U.S. 75 million dollar regional programme under the new five-year cooperation pact between the EEC and the African, Caribbean and Pacific (ACP) group of developing countries.

Discussions on how the U.S. 75 million dollar package would be utilised started last December under the chairmanship of Caribbean Community (Caricom) Secretary-General Roderick Rainford, and will continue shortly with a view to concluding an agreement, he said.

Ter Haar said St Lucia, St Vincent and the Grenadines, and Dominica had already signed Lome III funding agreements with the EEC, and a delegation from the European Commission's Brussels headquarters was expected in Barbados next month for talks leading up to a similar agreement.

He indicated that the focus of financing would be on infrastructural development and agriculture in St Lucia, St Vincent and Dominica under the new programme.

According to the figures, Barbados' allocation is U.S. 4.5 million dollars compared with 3.3 million under Lome II. St Vincent and St Lucia each will receive 4.9 million dollars, against 3.3 million; Dominica 4.9 million compared with 3.1 million under previous convention; Antigua 3.6 million compared with 2.4 million; and St Kitts and Nevis 2.7 million compared with two million.

Ter Haar said it was not possible at this stage to give an accurate estimate of how much money the EEC will spend in the eastern Caribbean this year.

Basically, we can spend as much as the governments can cope with within our national financial allocation, so it's a question of how quickly we can work out with the governments the projects, get them approved by Brussels and disburse funds, he said.

Ter Haar said Dominica, St Lucia, and St Vincent had committed and used up their Lome II allocations, while Barbados had just committed all of its share with the approval of two major projects costing 3.7 million dollars (one Bds dollar; 50 cents U.S.).

Regarding a U.S. 22.5 million dollar package that had been approved for purchasing aircraft for the regional airline LIAT (1974) Ltd but which the airline did not use, Ter Haar said the money was being utilised to finance other projects, including a trade promotion scheme for the Organisation of Eastern Caribbean States (OECS). Regional governments had decided to carry over the left-over funds to Lome III, he said.

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CSO: 3298/282

CARIBBEAN SOURCES REPORT, COMMENT ON ECONOMIC ISSUES

OECS Export Strategy

Port-of-Spain SUNDAY EXPRESS in English 5 Jan 86 p 5

[Text]

CASTRIES, Saturday, (CANA) — Director General of the Organisation of Eastern Caribbean States (OECS) Dr Vaughan Lewis, has identified "two major areas for action" this year by the seven-member regional grouping.

The Windwards and Leewards he said would embark on an export strategy initiative for markets beyond what obtains within the Caribbean community (Caricom), and will seek to create "a suitable infrastructure" to take, as he said, "better advantage of" Washington's two-year-old Caribbean Basin Initiative (CBI).

Dr Lewis told CANA that continuing protectionist policies and "other factors" inhibiting greater volume of intra-regional trade, have influenced the OECS governments' decision to pursue a new export strategy beyond Caricom

during 1986.

Related to this move and the second major thrust for this year, is the establishment of an East Caribbean Export Development Agency (ECEDA) in Roseau, Dominica, hopefully by mid-year.

The Dominica-based development agency, for which financing is expected through the Lome agreement between Europe and the African Caribbean and Pacific (ACP) Countries, is to be directly linked to the strategy to ensure benefits from the CBI, centerpiece of which is 12 years of duty free access to the U.S. market for most exports from the Caribbean and Central America.

Following the devaluation on December 17 of the Trinidad and Tobago dollar by 33 per cent against the U.S. dollar (from 41.6 cents U.S. to 27.7 cents U.S.),

the deputy Prime Minister and Minister of Trade of St Lucia, George Mallet, said that this development was likely to increase the pressures on OECS countries, which may have to "review" the value of the E.C. dollar (37 cents U.S.) currently linked to the U.S. dollar.

According to Dr Lewis, in addition to the two main priorities serious attention would be paid during the year to bring on stream the OECS fisheries unit to be located in St Vincent and funded with the help of the Canadian International Centre for Oceanic Development.

Dr Lewis confirmed that the St Vincent OECS summit received a paper from the government of Antigua and Barbuda on a set of proposals dealing with relations between the OECS and Latin America.

Rainford on Trade Concerns

Port-of-Spain TRINIDAD GUARDIAN in English 6 Jan 86 p 5

[Text]

BRIDGETOWN, Sun.,  
(Cana):  
CARICOM Secretary General Roderick Rainford has

expressed concern that trade among the 12 members of the Caribbean Common Market declined by a further ten per cent in the first three quarters of last year compared with January to September 1984.

"We will of course be looking forward with anticipation to see what the full-year situation will turn out to be, but that continued decline gives serious cause for concern, the Jamaican economist declared in a telephone interview with Cana from his Georgetown headquarters.

Intra-Caricom trade has been declining for several years now. The fall in 1983 was 12.7 per cent, and in 1984, 11.8 per cent.

Mr. Rainford said the reasons for the continued downturn were myriad: "We know that countries within the region continued to experience problems in their balance of payments...foreign exchange shortages and as a result of this, demand has dropped within the region."

"There are tariff barriers and non-tariff barriers within the region that have had an effect of one kind or another. There have been licensing regimes at work and the full range of difficulties affecting intra-regional trade that has been the subject of discussion over the past few years. Those continued into 1985."

However, the Secretary General said, what had become quite clear was that since the downturn started to manifest itself in serious terms in 1983, the rate of the fall had been smaller in each year.

Mr. Rainford welcomed the fact that most Caribbean Community States had implemented the majority of measures contained in the so-called 1984 Nassau Understanding for reviving intra-regional trade.

There are some cases where, in particular countries, there is still some remaining element to be implemented (but) the general situation is towards eventual full implementation of all the measures, according to Mr. Rainford.

Of course when the Caricom Council of Ministers meets there will be a very full review of the situation around the region and if, in the opinion of the Council, new decisions are required, then new decisions will be taken.

The Secretary General said a technical group set up to review the performance of Washington's Caribbean Basin Initiative (CBI) expected to have its first meeting by March.

Caricom Governments have expressed concern that the CBI -- a trade, aid and investment package offered by Washington to its Caribbean and Central American allies -- has not lived up to initial expectations.

Main feature of the scheme is 12 years duty free treatment in the U.S. for most regional exports. But Caricom States have complained that some of the community's main exports, including garments and footwear, are not covered by the concessions.

According to Mr. Rainford, the technical group, mandated by the last Caricom Heads of Government conference in Barbados in July 1985, will carry out the review called for and report back in due course to the heads.

#### OECS Gains

FL132016 Bridgetown CANA in English 1738 GMT 12 Jan 86

[Text] Basseterre, 12 Jan (CANA)--The economic recovery which began in the seven-nation Organisation of Eastern Caribbean States (OECS) in 1984 continued into the first six months of last year, though apparently at a slower pace, according to the Eastern Caribbean Central Bank (ECCB).

In its economic review for the first half of last year, the ECCB said the growth has boosted the performance of the tourism industry, which recorded increases in arrivals, and the expansion in the value as well as volume of most traditional export commodities.

The bank said other indicators of increased economic activity during the period under review were a sizeable expansion in credit to the distribution sector and an 18 percent increase in the net foreign assets of the banking systems.

Aided by a continued improvement in the external environment, some 215,400 tourists visited the OECS countries--Antigua and Barbuda, St Kitts and Nevis, St Lucia, Dominica, Grenada, Montserrat, and St Vincent--in the first half of 1985. This was about 9.4 percent more than in the same period of 1985.

The largest increases were recorded in Grenada--29 percent, St Vincent and the Grenadines--15.9 percent, and Antigua and Barbuda--13.5 percent.

Montserrat and St Kitts and Nevis also recorded rates of increase that were above the average for the area. Cruise ship visitors arrivals increased even more substantially, by some 36 percent to 215,800, the bank reported.

Most of the increase in tourist arrivals was of United States and Canadian origins. Antigua and Barbuda, Grenada, Montserrat, and St Vincent and the Grenadines also recorded increases in visitor arrivals in excess of 12 percent from the United States. Increases of over 20 percent were recorded in Antigua and Barbuda, St Kitts and Nevis, and St Vincent and the Grenadines from Canada.

Arrivals originating in Europe generally declined, although in Antigua and Barbuda and St Lucia moderate increases were recorded.

The bank said that in relation to traditional commodities, exports of bananas expanded in volume by 9.15 percent to 82,000 tonnes, and in value by 22.8 percent to 83.7 million dollars (one BB dollar; 37 U.S. cents).

The increase was most substantial in the case of St Lucia, where [words indistinct] method of production, the farms, had been introduced.

Exports of cocoa, nutmeg, and mace from Grenada also showed significant increases in volume and value. [Word indistinct] exports from St Kitts and Nevis in the first half of 1985 were maintained at [words indistinct]. Account of a fall in production of some 15.6 percent 26,617 tons for the 1985 [word indistinct] the bank said.

Other agricultural exports, consisting mainly of fruit and vegetable, largely to neighbouring islands, expanded rapidly, particularly from Grenada and St Vincent and the Grenadines. However, in the case of St Lucia a substantial contraction in the exports of these commodities was recorded.

Other than for sugar, prices of the area's traditional export commodities were generally more favourable in the first half of 1985 compared with the corresponding period of 1984.

The unit value of banana exports rose by 12 percent, cocoa and nutmet by three percent, and mace by 53.6 percent.

The bank said output in the manufacturing sector continued to be affected by trading difficulties in the Caribbean Community (Caricom). This was particularly so in the case of St Lucia, where on the basis of export data manufacturing activity is estimated to have contracted.



In contrast, exports of soap and flour from Dominica and St Vincent and the Grenadines increased substantially during the first half of last year in relation to the same period in 1984. In the other territories, any increase in manufacturing exports was likely to have come from extra-regional sources, the bank said.

The bank said the fiscal position in a number of countries deteriorated during the review period, relative to the corresponding period of 1984, as indicated by an increased rate of public sector borrowing from the banking system.

The rate of inflation in the area, as measured by changes in the consumer price index (CPI) in respective countries continued to moderate, influenced by the low rate of inflation in most trading partner countries.

Changes in the CPI of the various OECS countries ranged between a decline of 2.1 percent and an increase of 1.1 percent during the first six months of 1985.

Domestic credit expansion, amounting to six percent, was much more rapid than in the corresponding period of 1984 when the rate of growth was 2.8 percent. This was due in part to increased demand for credit by the private sector, but more so to a rise in the public sector borrowing requirement.

The bank said credit to the private sector rose by six percent or 53 million dollars to a total of 933 million dollars, against 3.8 percent or 29.6 million dollars in the first half of 1984.

On a territorial basis, net credit to central governments rose quite sharply in Dominica, Montserrat, and St Kitts and Nevis. More moderate increases occurred in Grenada and St Vincent and the Grenadines, while amounts outstanding declined in Antigua and Barbuda and St Lucia.

To the extent that the increases represented a bias towards the financing of public consumption, they may have diverted resources away from developmental investment, the bank said.

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CSO: 3298/282

INTER-AMERICAN AFFAIRS

BARBADOS OPPOSITION LEADER MEETS GUYANA'S HOYTE

Report on Talks

FL180148 Bridgetown CANA in English 2151 GMT 17 Jan 86

[Text] Georgetown, 17 Jan (CANA)--Barbados opposition leader Errol Barrow, concerned that the Caribbean integration movement is floundering, flew out of Georgetown this afternoon after more than three hours of talks with President Desmond Hoyte.

Sources close to the talks said they covered a wide range of issues including the political situation here, economic difficulties of Guyana and the region, intra-regional trade and the deepening of economic co-operation among Caricom member states.

A spokesman in the office of the president described the discussions as very cordial.

Regional politicians and political analysts have expressed concern that Guyana's chronic economic problems and its alleged abuse of civil rights will continue to put severe strain on the Caribbean Community (Caricom), already under pressure because of a decline in trade.

Barrow, a founder of Caricom and its predecessor, Carifta, has offered to play a mediating role in keeping regionalism alive, according to sources in his Democratic Labour Party.

Accompanying Barrow was Peter Morgan, a former Barbados information minister who served as commissioner-general for Guyana at Expo 67 in Montreal.

Barrow Comments

FL210106 Bridgetown CANA in English 0036 GMT 21 Jan 86

[Text] Bridgetown, 20 Jan (CANA)--Barbados official opposition leader Errol Barrow today said he was against moving the Secretariat of the Caribbean Community and Common Market (Caricom) from Guyana, but agreed that the Georgetown

administration should relax restrictions on visits by people wanting to monitor its controversial general elections.

Barrow, head of government here from 1961 to 1976, also told an airport news conference it was demonstrably clear that Guyanese were supporting the ruling People's National Congress (PNC) and that they had the freedom to choose.

Barrow made the comments after returning from Guyana, where he had talks with President Desmond Hoyte, and from Trinidad and Tobago, where he met with business and government officials.

The visit to Georgetown came against the background of deepening concern in the Caribbean about developments in the cooperative republic, where the government is accused of rigging last December's election, persecuting churchmen and violating a range of human rights.

There have been several calls from politicians and businessmen in the region for isolating Guyana and transferring the Caricom Secretariat to another country.

Barrow, who said the trip was triggered by his party's concern about the whole future of Caricom, said Hoyte was expected to make a definitive statement on a lot of issues that have been bothering people within the next 14 days.

He told reporters Guyana was pivotal to the Caricom movement. He described himself as committed to the idea of regionalism, saying he would be reluctant to support any suggestion to move the Secretariat.

He said Caribbean people should be thinking in terms of widening Caricom, rather than trying to diminish it by letting (U.S. President) Mr Reagan tell us about Caricom three, in which we will not have any ideological pluralism and (in) which you would have to conform to certain preconceptions which the American political directorate wishes to enforce on the region.

Barrow stressed that he was not holding a brief for the Guyana Government.

Regarding the discussions in Georgetown, he said: I was concerned about Caricom, and I made two suggestions to the president of Guyana. The first is that he should establish a high commission in Barbados. The second is that they should come out forthrightly and answer; or when people say they don't like this or they don't like that, the Government of Guyana ought to be big enough to come out and say these are the facts and this is where we stand.

Barrow described the government's refusal to allow people to enter the country to observe general elections as unfortunate. He said this gave the impression that the Guyana Government had something to hide.

The president assured me and demonstrated in various ways and by correspondence with (opposition leader Dr Cheddi) Jagan, by action which he took to correct any irregularities that they really had nothing to hide, Barrow said.

It was demonstrably clear, he added, that the people were supporting the PNC and that they had the freedom to choose.

The ex-prime minister told reporters he hoped Hoyte got the message he was trying to get across about letting people enter Guyana.

I think that he is going to take some steps within the next two weeks...to put peoples' minds at rest, Barrow added.

According to Barrow, Hoyte wanted more dialogue among Caribbean leaders. He was also reported to be worried (about) Caribbean governments' attitudinising--making postures they could not maintain.

Barrow said regional governments had to guard against the Caribbean becoming the plaything of the U.S., European, or other governments.

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INTER-AMERICAN AFFAIRS

CARICOM COUNCIL OF MINISTERS MEETING IN GUYANA POSTPONED

FL221424 Bonaire Trans World Radio in English 1130 GMT 22 Jan 86

[Text] The Caribbean Community Secretariat has explained why this month's Caricom Council of Ministers meeting was postponed. A secretariat source in Georgetown, Guyana, says several member countries had indicated they would be unable to attend because of domestic business.

The Caricom Council of Ministers deals mainly with matters of trade and commerce. It is believed the ministers were to discuss the Nassau package, worked out at the last Caricom summit in the Bahamas for restoring intra-regional trade.

The Caricom Secretariat is now in contact with member governments to set another date for the postponed meeting.

Guyana is to host the next Caricom summit. Dominica's Prime Minister Eugenia Charles says she will not be going to Georgetown, where she says she has enemies.

Guyana has been in the Caribbean spotlight since last month's national elections and, especially, in the wake of the expulsion of a Jesuit priest from the country.

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CSO: 3298/282

## INTER-AMERICAN AFFAIRS

### BRIEFS

VINCENTIAN AT CDU MEETING--Kingstown, 15 Jan (CANA)--Minister of Tourism, Information and Culture John Horne has left here for Jamaica to attend the two-day meeting of leaders of centrist political parties opening in Kingston tomorrow. Horne will represent the ruling New Democratic Party (NDP) of Prime Minister James Mitchell at the meeting, which will establish a Caribbean Democratic Union (CDU). Jamaica's prime minister Edward Seaga, who initiated the meeting, said the main objective is to bring together on a regular basis like-minded political parties in the region. The CDU is also expected to provide a forum where the parties can exchange views on political matters of a regional and international nature. [Text] [Bridgetown CANA in English 2218 GMT 15 Jan 86 FL] /9274

COVERAGE OF REAGAN VISIT--Jamaica's Government-run news agency will assist Grenada on media affairs in connection with U.S. President Reagan's visit to Grenada next month. JAMPRESS Editor in Chief (Ken Chaplain) left Kingston last week to help arrange news coverage of President Reagan's February 20th visit. Mr (Chaplain) will also advise Grenadian Prime Minister Herbert Blaize's administration on the restructuring of the government's information service. President Reagan will visit Grenada in response to an invitation by Grenada's prime minister last year. [Text] [Bonaire TransWorld Radio in English 1130 GMT 20 Jan 86 FL] /9274

CSO: 3298/282

DAILY ANALYZES GOVERNMENT DISCRIMINATION

PY142117 Buenos Aires LA PRENSA in Spanish 10 Jan 86 pp 1, 4

["A Note to Our Readers" signed by the publisher]

[Text] An honest and independent newspaper only has two sources of income: the reader who buys the publication and the people that publish advertisements.

Official Commercial Ads

This newspaper has systematically opposed the monopoly of official commercial advertisement granted by the military government of General Ongania to the TELAM Press Agency, noting that the only reason for it was to exert indirect control over the media, favoring the docile sectors to the detriment of those who fulfilled their duty of informing and voicing their opinion through editorials because they did not accept being mere sectors of the media at the service of the governing regime.

This position, throughout the various military and civilian regimes which have governed since 1966, has been the cause of several "advertisement boycotts," of which the most talked about was the one imposed on us in 1981 by General Ortiz, who at that time was press secretary of the military junta.

Current Situation

With the return of the constitutional regime in December 1983, we thought that TELAM, which is part of the Information and Press Secretariat [SIP], which in turn was created by Mr Apold under General Peron's regime--both entities are of totalitarian inspiration--would be dismantled immediately.

We were wrong.

Two years after the government was elected at the ballot boxes, the SIP has managed to obtain its own building, an 11-story building, and TELAM flourishes efficiently, fulfilling the tasks for which it was created, that is, to "discriminately handle" the official commercial ads.

During November 1985, out of 83 official advertisers, only 22 published their ads. Of these ads, 12.48 percent were published in our newspaper, 29.98 in LA NACION, 36.35 percent in CLARIN, and 27.83 percent in LA RAZON.

Official advertisements would not be a gift, financed by the contributors, to be distributed by a government official to whatever sectors of the media he fancies most. The purpose of official advertisements is to inform the readers, in general, about issues referring to government activities. The only discrimination that should be made is that based on the type of message to be published and the type of reader to whom the advertisement is directed.

Our readers have the same right as those of other sectors of the media to know that a contest for the posts in the state-run universities or other public offices is being opened; about calls for bids; about official auctions, about the municipal theater's programs, etc.

The fact that these advertisements are not published causes our readers to lose interest and forces them to resort to another sector of the media that does publish them.

#### Private Enterprises' Advertisements

Since 1977, when we started to criticize certain aspects of the military government's economic program, which could only lead our country to the disaster we are experiencing, many advertisers, who at that time were firm supporters of Martinez de Hoz, began to stop publishing their advertisements, especially those referring to financial activities, in our newspaper.

Today, officials who have survived since that time, desperately depend on the government's credit; of the surcharge on imports that will allow them to compete with no effort; of the innumerable number of favors that may be obtained through bureaucracy. These survivors do not publish their advertisements in our newspaper for fear that some higher government official might be "annoyed" to see that they have gone to a newspaper that is considered an "opponent" because it remains independent.

It is also suggestive that some advertisers stopped publishing their advertisements when their campaigns started to be "handled" by the director of an advertising agency, who is also the presidential advisor in charge of propaganda for the political party that won in 1983.

#### The Price of the Publication

As a consequence of the reduction of private and official advertisements, the economic subsistence of this newspaper is based on the sale of its issues.

When we decided to reduce the price of each publication from 0.25 australes to 0.20 in June, we did so as a gesture of solidarity with the economic plan that promised to do away with inflation, which threatened to destroy our country's economy. In response to our gesture, Commerce Secretary Julio Mendez managed to get the newsprint producers not to increase prices, as had been authorized a few days before. This reduction from 490 australes per ton to 408 australes was only relative because the newspapers associated with the state, LA NACION, CLARIN, and LA RAZON, continue to pay the incredible price of 273 australes, equivalent to \$342, for newsprint. This price is well below the international price, which currently is approximately \$480.



It is not surprising that we have had to increase the price of our publications as the only means to continue performing our daily task of reporting in an independent manner, as we have been doing for the past 116 years, since we have to pay 49.45 percent more than the competition newspapers for the newsprint we use. In addition to this, there is reduction of official advertisements, which from October to November dropped by 45.53 percent.

Now that our readers know about our difficulties, we hope they will understand the reason we had to increase our price. We believe that the truth is well worth 0.10 australes.

#### Subsequent Events

Until 1 July 1985, the salary policy established by the government consisted of monthly increases in keeping with the cost-of-living increase of the previous month. Those enterprises that failed to grant this increase were liable of sanctions.

Despite its economic losses, LA PRENSA always granted the percentages established by the government.

In late May, with a retroactive effect to the beginning of that month, LA NACION, CLARIN, LA RAZON, and CRONICA signed an agreement with the Printers Union granting a 30 percent increase in addition to that established by the government.

LA PRENSA did not sign this agreement, which was not confirmed by the Labor Ministry but merely registered with the ministry.

When representatives of the Printers Union tried to force us to implement this agreement, which we did not sign, we resorted to the Labor Ministry so that it would state whether we ought to implement the agreement that expressly violated the laws currently in force.

Our consultation on 17 June was only answered on 17 December as follows: "In view of the consultation, and taking into account that LA PRENSA signed the collective bargaining contract No 12/75, and that it was opportunely ordered that the salary scales be included in this contract, I consider that you must observe this increase."

As a consequence of this decision, this month we will have to face a salary increase of approximately 35 percent, 7 times more than that established for the rest of the enterprises.

Signed: The publisher.

/8918

CSO: 3348/383

ARGENTINA

## CGT TO CALL NATIONAL UNITY CONGRESS

PY272012 Buenos Aires TIEMPO ARGENTINA in Spanish 26 Jan 86 p 2

[Excerpt] The CGT [General Confederation of Labor] will call for a meeting in the first half of February that will include several organizations, as well as the government. The goal of the meeting will be to raise and draw up proposals to cope with the current socioeconomic situation. Saul Ubaldini made this announcement yesterday, confirming a report published by TIEMPO ARGENTINO. Ubaldini, along with several CGT Executive Board members, on the morning of 25 January revealed the initial repercussions of the national stoppage.

He stated that the CGT will make "a call to achieve the unity of all sectors through a unity congress with representatives from social, political, economic, and trade union organizations."

This initiative will be studied in detail the day after tomorrow when the CGT executive board will hold a plenary meeting. Perhaps during this meeting the guidelines of the call will be drawn up and then proposed during the next plenary meeting of delegates scheduled to be held before 14 February in an as yet unknown city in the interior of the country. It is presumed that the plenary meeting will be held in Corrientes.

The idea of calling a national unity congress was put forward by telephone workers union leader Julio Guillan, who acted as spokesman for the Group of 25 during the plenary meeting that approved the stoppage held Friday.

/7051

CSO: 3348/386

AIRCRAFT INDUSTRY JOINT VENTURE SAID BLOCKED

PY272040 Buenos Aires NOTICIAS ARGENTINAS in Spanish 1215 GMT 27 Jan 86

[Text] Buenos Aires, 27 Jan (NA)--Professional associations in Buenos Aires have charged that "certain vested interests within the Argentine Air Force" reportedly are blocking the initiative sponsored by Air Force Chief of Staff Brigadier General Ernesto Crespo to transform the aeronautics factory complex in the Cordoba war materials area into a joint venture.

Brigadier General Ernesto Crespo 3 months ago announced the goal of modifying the organizational structure of the military aircraft factory and other industrial facilities.

According to the charges made by the Economic Sciences Professional Association, the Professional Association of Specialized Engineers, and the Center of Aeronautics Studies [Centro de Estudios Aerospaciales], the plan to transform the aeronautics factory complex into a joint venture runs the risk of being thwarted "not because of a lack of technical capabilities but because of vested interests that will hamper the implementation of the initiative unless a decree immediately places the military aircraft factory under the jurisdiction of the Defense Ministry."

In a lengthy document delivered to Governor Eduardo Angeloz, the professional associations stated that "according to the unofficial information gathered, the opinion of the Air Force chief of staff is not shared by the majority of Air Force officers, casting a shadow over the possible changes that could take place in the Air Force leadership, and the initiative is lacking to take the initial steps in the transformation process."

The professional associations added that "that uncertainty is further confirmed by the new postings of military personnel, postings that are not accompanied by a program clearly showing that what is being done is oriented toward that transformation process."

The professional associations asked Governor Angeloz to conduct negotiations seeking the transfer of the jurisdiction of the Cordoba military area from the Air Force to the Defense Ministry Production Under Secretariat to ensure the program's implementation.

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CSO: 3348/386

## ARGENTINA

### BRIEFS

FAVA ON ROCKEFELLER'S VISIT--Buenos Aires, 22 Jan (DYN)--Communist Party of Argentina [PCA] Secretary General Athos Fava today reported that the government is being subjected to strong U.S. pressures by its intelligence services and dozens of officials such as David Rockefeller or Vernon Walters, some of them on secret missions, who "demand" from the Argentine authorities the adoption of a clear stand concerning the struggles of the Argentine workers and the Central American situation. According to Fava, those "officials come to demand the strengthening of the Austral Plan, the hardening of the position against the just demands of the workers and people, the hindrance of Argentine solidarity for the anti-Pinochet struggle, and the abandonment of the positive stands concerning the Central American crisis. [Text] [Buenos Aires DYN in Spanish 2202 GMT 22 Jan 86 PY] /8918

MILITARY SALARY INCREASE--Buenos Aires, 21 Jan (NA)--Government sources today confirmed that military personnel will receive a salary increase retroactive to 1 January "of less than 30 percent," denying that such an increase has already been granted. The same sources emphasized that it is necessary for President Raúl Alfonsín to sign the appropriate decree for that increase to be granted, stating that the increases "have not been paid yet." The sources termed an outright "lie" a report supplied by leaders of the Trade Union of Armed Forces Civilian Personnel (PECIFA) that "they have seen" January earnings statements showing a 30-percent increase. The sources stated that "the report is untrue" because the salaries "have not been paid yet," admitting that the military personnel "will receive a salary increase of less than 30 percent." In turn, Defense Ministry sources today confirmed that the Armed Forces budget has not been completed yet and that the increases for military personnel "are being reviewed by the appropriate governmental agencies." [Text] [Buenos Aires NOTICIAS ARGENTINAS in Spanish 1845 GMT 21 Jan 86 PY] /8918

ROMANIA'S CEAUSESCU INVITES ALFONSIN--Buenos Aires, 23 Jan (TELAM)--In a note forwarded by Romanian State Council vice president and special envoy, Petru Enache, Nicolae Ceausescu, the president of the Socialist Republic of Romania, today invited President Raul Alfonsín to make an official visit to Romania. This was reported at Government House after an audience Alfonsín granted this morning to Enache, who was accompanied by Romanian Ambassador to Argentina Ion Tudor. In the note, which was forwarded to the Argentine president during the meeting, Ceausescu states that taking into account good relations between our countries, I have deemed it necessary that we exchange opinions concerning the

development of our bilateral relations and the international problems. Ceausescu also indicated that it is necessary to reach a long-term agreement on economic cooperation on trade. Moving on, Ceausescu's note stated: I am personally pleased to issue on my behalf and on behalf of my wife, Elena Ceausescu, an invitation for you and your wife to make an official visit to Romania. Ceausescu wrote that he is convinced that under current international conditions, the two countries will be able to cooperate more closely to overcome underdevelopment, reschedule debts on longer terms, cancel interest payments, champion a policy of peace, detente, and cooperation, and endorse disarmament, political means of overcoming conflicts among the states, and the establishment of a new international economic order. [Excerpt] [Buenos Aires TELAM in Spanish 1752 GMT 23 Jan 86 PY] /8918

CSO: 3348/383

BRAZIL

GOVERNMENT TO EXPAND HELICOPTER INDUSTRY

PY220037 Sao Paulo FOLHA DE SAO PAULO in Portuguese 15 Jan 86 p 5

[Excerpt] Brazil will expand its helicopter construction industry. This was the main decision made yesterday by the military ministers during their fifth meeting to evaluate the Armed Forces activities under the Jose Sarney Government. During a luncheon in the Army Headquarters located in the urban military sector of Brasilia, the ministers reached the conclusion that the production of Helibras [Brazilian Helicopters, Inc.] has not been sufficient considering the importance that helicopters have in the country nowadays. Jose Maria Amaral, chief of the Armed Forces General Staff (EMFA), told FOLHA that Brazil has the third largest number of helicopters in the world.

An interministerial commission under the coordination of the Industry and Commerce Ministry will be created to design a policy for the construction and use of helicopters. Currently, Brazil depends on Europe for the supply of helicopters especially from the British Westland Company and the French Aerospatiale. According to one of the ministers who attended the meeting yesterday, the idea is to develop domestic production. A decision has already been made for the Army to create its first air unit using helicopters. These new helicopters will be added to the 100 units of the Air Force and 60 of the Navy.

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CSO: 3342/62

BRAZIL

SARNEY'S MESSAGE TO AID NORTHEAST FARMERS

PY250251 Brasilia Domestic Service in Portuguese 2100 GMT 24 Jan 86

[Excerpts] The program of support for small farmers in the Northeast was discussed by President Jose Sarney today in his weekly message "By the Radio" transmitted every Friday by the Brazilian News Agency.

[Begin Sarney recording] Yesterday I signed a decree ordering that 2 trillion cruzeiros be apportioned for supporting and financing small farmers in the Northeast. The program will establish a support system for the rural producer members of communities, cooperatives, or associations.

It is not in Brazil's interest that development should only benefit a few, because this restricted development is in the long run detrimental to the country as a whole. It is not in Brazil's interest that only the state should progress because one-sided progress would choke and immobilize the country.

Cooperatives, activities within communities, and community organizations are important because they do not only reject easy assistance, but also firmly plant the roots for the future: the idea is to teach people how to fish so that they can secure their food for as long as they live, and not to waste resources in large bureaucratic organizations.

I believe that no one can be happy when society is unhappy, and the best way to seek happiness is to work unselfishly for others. Man exerts himself to achieve greater development, to increase his possessions, but ironically, he feels increasingly unhappy; he is thus liable to succumb to violence, revolt, and alienation from God. What Brazil needs more than anything right now is to improve the quality of life.

Next week I will sign new decrees to benefit the Northeast with an irrigation program. I am sure that the combination of development, together with concern for improving the quality of the worker's life will render good results for this renewed effort to definitely restore our Northeastern region. [end recording]

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CSO: 3342/62

## BRAZIL

### BRIEFS

LOWER 'SPREAD' RATE--Central Bank President Férnao Bracher said in Brasília that as of today, although details have not been agreed upon, (these will be announced before 15 March), Brazil will pay a lower "spread" [in English] to creditor banks with which it has contracted its foreign debt. Bracher noted that this reduction will have a retroactive effect. This unprecedented concession to Brazil will allow more calm and adequate planning for the Brazilian economy. In New York meanwhile, a commission of creditor bank representatives is preparing to travel to Brazil this week. This commission will discuss the spread rate to be charged to Brazil and analyze terms for relending. It also will discuss establishing the new amortizations on the existing loans, and finding a new way to pay the debt, contracted by the Auxiliar, Comind, and Masionnave Banks [banks that have been liquidated], which was authorized by Central Bank resolution known as Operation 63. [Text] [Rio de Janeiro O GLOBO in Portuguese 20 Jan 86 p 1 PY] /9738

PRICE READJUSTMENT FOR OIL BYPRODUCTS--A price readjustment for oil by-products and electricity tariffs will be discussed by the mines and energy, finance and planning ministries, Aureliano Chavez, the mines and energy minister announced today. He granted a press conference before leaving the Sara Kubitscheck hospital, where he had been hospitalized for 34 days. Minister Chavez assured that the price readjustment will not be greater than 8 percent. [Text] [Brasília Domestic Service in Portuguese 2100 GMT 21 Jan 86 PY] /9738

CSO: 3342/62



CORVALAN EXAMINES POLITICAL SITUATION; PCCH'S GOALS

AU210601 Moscow PROBLEMY MIRA I SOTSIALIZMA in Russian No 1 January 86 (signed to press 6 Dec 1985 pp 14-19)

[Article by Luis Corvalan, general secretary of the Communist Party of Chile: "Unity Against Dictatorship: the Ways and Forms of the Struggle"]

[Text] The powerful people's protests which engulfed Chile in September 1985 have shaken Pinochet's dictatorship down to its foundations and had a wide response all over the world. The fascist regime is going through hard times. The protest days contributed toward the emergence of a new situation. Most adherents from the right-wing camp have already turned away from Pinochet. There are discords among the members of his cabinet and squabbles in military circles which are trying to find a way out of the present deadlock.

The September 1973 coup d'etat was carried out under the slogan of "saving" Chile from communism and economic chaos. In reality, it overthrew a democratic government which was building an independent economy in successfully overcoming difficulties created by imperialism and internal reaction. As far as the communists are concerned, in the 12 years since the putsch, the Communist Party of Chile, far from having been destroyed by dictatorship, has turned into the most militant detachment of the opposition, and its influence is constantly growing. At the same time the fascist junta is crumbling before our eyes. Indisputable is also the fact that it was precisely the junta that has brought the country to economic ruin by pursuing the neomonetary policy of the "Chicago school" and submitting to the dictates of the International Monetary Fund. In Chile, more than 30 percent of the able-bodied population are jobless, and their purchasing power has sharply declined, as has production for the home market. In trade, commodity turnover has dropped; foreign debts, which did not exceed \$4 billion 12 years ago, amount now to \$23 billion. Under Pinochet's rule, the country has lost about \$40 billion due only to the growing difference between the prices of goods sold by it to the United States and other developed capitalist countries, and those of goods purchased from them.

In the international arena, Chile has now been deprived of the independence enjoyed under S. Allende. The structural crisis has become unprecedentedly acute and calls for a number of radical changes, primarily in the nature of state power itself. Proceeding from this point, our party stands for creating, on the basis of a broad coalition, a progressive democratic government capable

of carrying out necessary anti-imperialist reforms, of democratizing the entire state mechanism, including the armed forces, of reviving the economy, and of bodily settling problems confronting the Chilean people. This rule will pay foundations for the subsequent transition to socialism.

But if the dictatorship is replaced by a democratic system of the classic bourgeois type, this also will be a step forward in comparison with the present fascist regime, although this government will be unable to bring the nation out of the crisis and even less so to meet the vital needs of the masses. But we will support an administration even of this kind in all its undertakings that would meet the authentic interests of the country and the people. At the same time, the Communist Party of Chile will continue the struggle for deeper reforms and progressive democracy.

Let us recall that S. Allende always distinguished between enemies and adversaries. The latter were for him those who had different, but not on antagonistically irreconcilable positions. Our enemies are now Pinochet and his clique, who have been trying to annihilate the Communist Party of Chile, to "put an end" to communism, and to make short work of it physically. And our adversaries, in S. Allende's opinion, are those who do not accept some of our opinions and share others. They do not share a striving for socialism, but we have common goals for the immediate future and for a middle term. These forces are mostly progressive and wage a struggle against the dictatorship. Along with many of them, we defend the interests of the working people and the nation at large, and are for the soonest possible return to democracy.

Our official relations with some adversaries of this kind are shaping less felicitously. We meet them and discuss with them in a respectful manner. However, what they demand from the communists is impossible. They want us to give up our political line and to turn into a kind of "trailer" attached to the Democratic Alliance (DA) (Footnote 1) (It integrates the Christian Democratic, the Social Democratic and the Radical parties, as well as right-wing Republicans, a part of the former Socialist Party, and the Liberal Movement) and to its new allies from the ranks of right-wing forces. They persuade us--both publicly and privately--to give up violence in the struggle against the dictatorship, to renounce some forms of the struggle, and to apply only four "peaceful" methods. They insist that, instead of pursuing our own policy, we should submit to the dictate of other parties, primarily of the Christian Democratic Party. In addition, they expect us to "keep in the shadow," because the presence of the Communist Party in the foreground might allegedly be an "unfavorable factor" on the way back to democracy.

The communists of Chile consider that the events, in all probability, will develop in such a way as to bring about a decisive clash between the people and the dictatorship. As noted in the report delivered by the Political Commission at the last plenum of the party's Central Committee, "We suppose that it will assume the shape of a mass uprising with the participation of the entire population, of a greater part of political and social circles, and possible of a part of the armed forces.... What matters is the condition of general resistance to the dictatorship which has actually paralyzed the country. People's protests held in the main cities with the decisive participation of the industrial proletariat, students, the middle classes, and the peasantry are to

be supplemented by effective blows to exhaust the dictatorship and to precipitate the breakdown of its repressive forces. This process should reach its culmination when the masses seize the country's most important political and administrative centers" (Footnote 2) (Partido Comunista de Chile. -- Boletín del Exterior, 1985, No 71 (extraordinario), p 37. For more details concerning the policy of the Communist Party of Chile see I. Fasio, "A Line Towards Nationwide Disobedience," PROBLEMY MIRA I SOTSIALIZMA, 1984, No 10).

On the other hand, the mobilization of social forces initiated by the National Leading Council of the Working People of Chile is continuing, and the ideas of active violent actions and civil disobedience are winning adherents in the ranks of the parties integrated in the Socialist Bloc (SB) (Footnote 3) (It integrates a part of the Socialist Party, Left-wing Christians, the Movement of United People's Action--MAPU, and a part of the Workers and Peasants Party in the Mapu) and the Democratic Alliance. Also the proposal to organize a nationwide strike in all spheres of activities to make the country ungovernable for Pinochet is winning supporters in the opposition. What comes to mind in this connection is the movement for general disobedience which brought about the downfall of the Ibanez dictatorship on 26 July 1931. There are many people who consider that experience could be repeated.

Our thesis about the possibility of an uprising, as well as the aforesaid opinions and ideas, in the opinion of the Communist Party of Chile, contain all basic elements to trace a line sufficiently distinctive to preclude simplified definitions such as "armed" or "non-violent." The point is to find a way that in practice might be close to the former and the latter solution, to be more or less "armed" or more or less "peaceful," depending on the scope of the revolutionary movement, on the resolve and fighting capacity of the masses, on the possible changes in the behavior and the way of thinking of the military, and on the position assumed by the latter at decisive moments.

A "Chinese wall" between peaceful and violent forms of the struggle does not exist. They are not contradictory, do not oppose, but on the contrary, supplement each other. We speak about an uprising and people's protests. The others raise the question of civil disobedience and of making the country ungovernable. What is the difference in principle between the two positions? If there is any, then they only involve nuances. We see the resolve to struggle against the dictatorship from revolutionary positions in both approaches. To some extent, all participants in social processes learn from each other, absorb and assimilate experience emerging in the practice of the masses.

The Communist Party considers that the present situation will be settled in a way close to our forecasts, although one must not disregard other versions. We completely turn down the illusory possibility to reach an agreement with Pinochet. At the same time, it is possible to reach an agreement with the army, provided that the tyrant is eliminated.

U.S. imperialism, which in alliance with the local reaction prepared the 1973 coup d'etat, has again been seriously disturbed by the developments in Chile and particularly by the growing influence of the People's Democratic Movement (NDM) and the Communist Party. True enough, one of the White House emissaries,

L. Motley who visited our country a few months ago, after returning to Washington complacently said: "Chile is in good hands." But there is every evidence that the scope of the struggle waged by our people in recent months has disturbed the North American administration. No one must deceive himself that Reagan's government interferes in Chilean affairs only to try to preclude a genuine democratic settlement for our problems. Imperialism seeks to preclude radical reforms by placing superficial changes in opposition to them, and this leaves its interests untouched, and it will cooperate with Pinochet as long as there is even a slightest chance for it. Besides, the illusions of center and right-wing politicians are futile. Of course, Washington has allies; it also has vassals and puppets. But it cannot impose and dismiss even the latter whenever it thinks fit. It took 3 years to put a dictator obedient to imperialists in Chile. But after some time their creature has swollen with conceit, has tasted power, and cannot live without it. And only the people are now in a position to cast Pinochet away.

The struggle of the masses and the coordinated activities of all opposing forces are the immutable and decisive requirement of the day. Precisely this struggle and these joint actions can put an end to the dictatorship. They are the main factor of aggravating the deep crisis which has engulfed the regime. No matter how much conditions change in the immediate future, precisely they have been and will be a basis for our advance along the correct path.

V.I. Lenin pointed out that without revolutionary violence the Russian Proletariat would have been unable to triumph. But with the same Bolshevik straightforwardness he added: "...revolutionary violence was a necessary and legal device of the revolution only at certain moments of its development, only under certain extraordinary conditions, whereas the organization of the proletarian masses, the organization of the working people has been and is a constant property of this revolution and a condition for its victories. The best conditions for a revolution and the deepest source of its victories consist in this organization of the millions of the working people" (Footnote 4) (V.I. Lenin, Complete Collected Works, Vol 38, p 74).

We are guided by this principle. In other words, we consider that the movement of the masses is the most important thing, and the application of violence, its degree and purposefulness depend on the concrete circumstances. In other words, without a nationwide struggle it is impossible to put an end to the tyranny, and a national uprising, which we regard as the most probable way of action, will only become a reality when there is objectively no other way out and when the people consciously accept it.

The practice of the people's struggle waged in recent years attests to the correctness of the Communist Party's conclusions. The protest days practiced since May 1983, the barricades erected on such occasions in localities, the wrecking of high-voltage power relay lines on the entire territory of Chile, "saucepan" (Footnote 5) (Allusion to noise effects) and other marches at certain times of certain days, the seizure of the buildings of higher and secondary schools, and street clashes with the police are forms of the struggle waged by hundreds of thousands, and sometimes even millions, of people. And the only reason why these actions are so massive is that they result from the

[word indistinct] of the masses, are brought about in confrontation, and are in line with their will, feelings, and interests. Most frequently, a protest turns into bitter clashes with the regime's repressive forces, notwithstanding the peaceful or almost peaceful nature of the protest actions. It is indifferent for the dictatorship, which is ruthless in putting down such actions, no matter whether they are "peaceful" or "not peaceful." Okhranka agents go as far as to disturb peaceful burials of the fallen people and to impede visits to their graves. They beat up and detain people who appear in the street with a red carnation or with a candle in the hand, because flowers and candles have become symbols of the struggle for the right to live.

The choice confronting each Chilean man and woman is not what methods are to be applied--violent or peaceful ones, but to combat or not to combat the tyranny.

While brushing such evident truths aside, some representatives of the opposition continue to condemn violence "no matter where it comes from." This position, to say the least, is strange. Most of the present irreconcilable opponents to violence, in their time, backed the military coup d'etat or kept deathly silence about the bloodbath and beastly repressions that came down upon our people then. In those days and in the initial years of the dictatorship, the very few who, in addition to left-wing parties, raised a voice of protest were the Catholic Church and some figures from among Christian democrats, in particular B. Leyton and R. Tomich.

We Chileans like to claim that Chile is a Latin American republic in whose history there have been comparatively few revolutions and where life has flowed calmly. In these statements, there is a portion of truth, but on the whole this is rather a myth. In one way or another, violence has undoubtedly been practiced even under democratic governments. It is sufficient to recall the "pacification" by fire and sword of Araucania; the naval mutiny against President Balmaseda with the support of the Army; and the fact that the workers class of Chile has been subject to repeated persecutions and foul genocide, from the mass murder at the Santa Maria school to the butcheries in El Salvador, Pampa Yrigoyen and at many other places. (Footnote 6) (Araucania is a district in the south of Chile, whose Indian population, the Araucans, for more than 3 centuries (1536-1882) waged an armed struggle for their rights against the Spanish colonizers and, later on, against Chilean bourgeois governments; J.M. Balmaseda (about 1840-1891), the first Chilean president who opposed the infiltration of foreign capital in the country, who was overthrown as a result of a bloody military revolt and committed suicide; before the Allende government came to power, mass executions of the working people by shooting took place at the Santa Maria school in (Iquique) (1907), as well as in El Salvador, Pampa Yrigoyen, and at other places). And last but not least, what can there be more convincing than the example of the fascist coup d'etat in September 1973, which brought to power Pinochet's tyranny, ranking among the most cruel and bloody tyrannies in the history of Latin America.

In regarding the past of Chile, one cannot overlook the fact that violence has almost always come from the ruling classes. And this is also the case today. But, no matter how obvious it is, there are people who aim their entire critical emotion at the protests brought about by the just hatred of the people for a regime which has condemned them to hunger and repressions.

Violence is inherent in any society with antagonistic classes. Exploiters rudely and cruelly use it against their own peoples to defend their selfish interests and to resist liberation movements and class protests jeopardizing their profits and privileges. But peoples in their turn are compelled, at certain moments, to resort to violence when they do not see any other way to get rid of the oppressors' yoke. This is precisely the way things have always been--from the times of Spartacus and of his predecessors to our days. Neither the great French Revolution, which was among the most important revolutions spearheaded by the bourgeoisie, nor the Great October Revolution, which marked in the history of all mankind a turn toward socialism, were any exceptions.

Who can deny the aforesaid facts? Who can defend and support violence against the people, and criticize the people who resort to violence in the struggle against a fascist regime? After all, those who do that clearly show that they do not turn down or approve violence as such; they settle the problem depending on what class resorts to it and against whom is it used.

Even before we have brought forward the thesis about the right of the people to rise up and about the legality of applying various norms of the struggle, we were told that an agreement among all democrats was only possible when we Chilean communists give up Leninism--and, consequently, Marxism--and attack the Soviet Union. The emphasis is now being put somewhere else. The right-wing opposition has brought forward the problem of violence and the application of various forms of the struggle to hinder an agreement with the People's Democratic Movement and in particular with the communists.

It is true that, in these questions, we differ from the aforesaid opposition circles. There are also differences of opinion in other fields. But the point is precisely to unite, notwithstanding the differences of opinions, to unite for the sake of the common struggle for meeting the main requirement of the moment: to ensure a democratic system for our country.

Indisputable is also the fact which we have repeated many times: It is important to overcome the isolationist moods and to reach an agreement among opposition forces in all sectors of the political spectrum by bringing to the foreground the task of removing the tyrant from power. We must proceed from the truth--which is obvious for all who have eyes and ears--that Pinochet must be thrown out of power.

The People's Democratic Movement integrates the factions that are most progressive and fit for combat among the Chilean leftwing forces. Without it, no formula for settling our problems will be sufficiently viable and will win the necessary support of the masses.

The policy of isolating the communists and their closest allies goes against the will and the interests of the people, and for this reason it has won no public support. On the contrary, the trend toward a broader unity is winning adherents everywhere. This unity is emerging in localities, trade unions, higher and secondary schools, in the milieu of the creative intelligentsia, in professional and other associations. A brilliant example has been set again by young people. Their political organizations within democratic associations

have signed an agreement on joint actions, an agreement that simultaneously calls for unity among all people's and anti-dictatorial forces.

The Democratic Alliance experiences pressure from its right wing, pushing this political formation toward concessions to reaction. One of these concessions is the policy of discriminating against communists. Nonetheless, within the framework of the alliance there are also quite a few adherents of mutual understanding with the united left-wing forces. Thus, at its June 1985 conference, the Radical Party adopted the decision to set a deadline for putting in effect a policy of unity--without any exception--within the framework of a civil front whose idea was then only maturing. Soon after, the so-called "group of the 11" was formed. It has practically initiated the civil front (it has not been joined by the parties belonging to the People's Democratic Movement and a number of other groups). Even before, a prominent socialist, R. Lagos (from the C. Briones faction of the former Socialist Party), clearly declared that if the Democratic Alliance established contacts with the National Party, the very next day he would get in touch with the communists. As is known, representatives of the Democratic Alliance have met and have come to terms not only with that party, but also with an even more radical right-wing group, the Movement for National Unity and even with individual reactionaries such as F. Bulnes. But the promised contacts with the communists have been shelved. We only give the facts, abstaining from our opinions about parties and concrete figures. Moreover, we hope that they are sincere in their decisions and statements, that they are, apparently, resolved to defend their own views, and that they are not indifferent to the fact that the events have taken a different course.

Left-wing parties have come out for reaching a mutual agreement and for joint actions with all opposition forces. The same has been done by the Humanist Party and non-party figures integrated in the group "Democratic Intransigence." The very course of events will most probably lead left-wing parties and all adherents of unity (without exception) toward the consolidation and development of mutual contacts, and this will also help boost their role in search for such an agreement.

What brilliant lessons were taught by our people during the September 1985 protests! Let us recall how the events developed. The National Leading Council of the Working People of Chile called for another day of national protest to be held on 4 September. And on 26 August, wide public circles learned that 11 parties had signed an agreement on transition to full democracy. This document contains political proposals clear and understandable to the masses; at the same time, it lacks what matters most: the request to dismiss Pinochet immediately. The agreement keeps silent about the working people's struggle for their rights, applies bourgeois criteria to the problem of property, and evades commitments involving other issues.

Owing to its known merits and to the general aspiration to find as soon as possible a way out of the crisis, this document has aroused some illusions among broad sections of the petit and middle bourgeoisie, who have found what has been achieved sufficient to begin a triumphant procession to democracy. Almost all news agencies reported on the euphoria which encompassed prominent leaders of the center and right-wing opposition. The U.S. Department of State gave its

blessing to the agreement reached. Cardinal F. Fresno gave thanks to the Most High and expressed acknowledgement to leaders of all the 11 parties for the established mutual understanding. He called on the people to abstain from the protest actions fixed for 4 September. The Democratic Alliance published the appeal to confine the action on this day to the collection of signatures in support of the achieved unity and at the same time instructed to disperse before 1400 hours. But what happened in practice, is well known. The events took another course. The national protest day on 4 September has become one of the greatest actions carried out thus far, and the most massive combat action performed by the Chileans in the 12 years of the dictatorship.

An important service of the People's Democratic Movement was to resolutely adhere to the firm and clear position without losing the main enemy from the field of vision. Since the document of the 11 parties lacked a number of very important theses and had the shortcomings, the movement abstained from signing it. However, this organization did not hinder those who signed the aforesaid document and continues to look for chances for joint actions. This attitude contributed to the fact that, on 4 September, opposition forces of all trends and various social sections unanimously participated in the protest action.

A highly important role in achieving unity is also played by the National Leading Council which is the most representative, pluralist, and wide vocational association of the working people. Its due has to be rendered to the councils leadership which during the September actions was active and brought to the foreground the interests of hired laborers.

In summing up what has been said, it is to be stated frankly that differences involving the problem of violence have nothing to do with moral norms or the principles of humanism shared, as we suppose, by democratic streams. The differences involve mainly the class nature of various political plans put forward by the opposition. There are several plans. Thus, in adhering to the consistent revolutionary positions, the People's Democratic Movement comes out for progressive democracy with a socialist outlook. The socialist bloc stands up for a democratic system oriented toward socialism, and the Democratic Alliance proposes to establish a democratic regime of a bourgeois type with a certain portion of "progressiveness." At the same time, among right-wing forces which have recently joined the "group of the 11" there are also some who do not conceal their aspirations to ban our party and its allies, and this imparts openly anti-democratic characteristics to their political plans.

The form of abolishing tyranny and the methods to be used for this purpose are directly related with the possibility to put one of the aforesaid projects into effect or, in other words, they directly involve the nature, depth, and effectiveness of the changes to be made. The Western European bourgeois press identifies the project of the "group of the 11" with the possibility of "moderate" and "regulated" changes. This appraisal is not accidental, because it is connected with the real substance of the applied policy, as well as with statements made by the most extremist right-wing and center leaders of Chile. But the way out they suggest is not the only possible one. For our part, we have already said: The shortest way to abolishing tyranny is the face-to-face struggle against it, and this will provide in the country, after the defeat



of fascism, the best chances for going over to deep reforms in the field of state organization and all other fields.

It is also to be admitted that a struggle for hegemony and supremacy, for the control of social changes, and for the destiny of Chile is going on within the opposition itself: between the bourgeoisie (and in the final account the financial oligarchy), on the one hand, and the proletariat and the middle sections, on the other. The differences involving political and all other aforesaid problems, in particular the problem of violence and of the application of various methods of action, are nothing else but the reflection of this confrontation.

The report to the 1984 National Conference of the Communist Party of Chile noted that the struggle for hegemony within the framework of a sociopolitical movement was an objective and inevitable fact. Its outcome is to be settled not in the struggle between the rival forces, but only in a joint action against the common enemy and in the subsequent confrontation in practice of the positions of each side. Both in this and in all other cases, the people should be the supreme arbiter.

The main question confronting the entire opposition is as follows: is it necessary to aspire to work out a joint plan and joint tactics for the struggle to overthrow Pinochet, and to jointly work out a complex of tasks for the provisional government which will replace the tyranny, or on the contrary, should each one continue the present line of only struggling for his plan by his own methods and of restricting himself only to chance agreements?

We communists are resolutely for working out a common plan and tactics, even if it is only to overthrow the dictatorship, bearing in mind that each side has the right to preserve its own principles.

The proposal made by the Central Committee of the Communist Party of Chile in its letter to G. Valdes (Footnote 7) (Chairman of the Christian Democratic Party of Chile and of a coalition of political parties, the Democratic Alliance) concerning the common elaboration of a concrete path to the victory over the fascist dictatorship is reasonable and realistic; it takes into account the common things shared by the entire opposition, and excludes only the extreme right wing. The political platform of the National Leading Council of the Working People of Chile, presented at an assembly of more than a thousand trade union leaders in August 1985, may be used as a basis for mutual understanding among all democratic forces. As noted in our party's message to Cardinal F. Fresno on 6 September 1985, the urgent measures provided for in the document of the "group of the 11," along with other demands dictated by the hard conditions of poverty, hunger, and unemployment under which the poorer groups of our people live, could become a goal for the proposed joint actions.

In an interview given to the journal APSI, A. Saldivar (Footnote 8) (Former chairman of the Christian Democratic Party, in December 1982 elected chairman of the Christian Democratic International) said that dictators aspired to stay in power for life. And this power comes to an end either when "the Lord remembers the people and delivers them from the tyrants, or when the people

themselves overthrow them." There are two ways to achieve that: either a dictator is disposed of by the force of arms, or he is removed by means of mobilizing the masses and by disobedience which turns into a growing pressure on the part of the entire society. This is an interesting point of view which deserves to be discussed and to be defined more precisely in order to find common terms. It is also important because, in proceeding from the view that Pinochet would not leave by his own will, A. Saldivar considers social mobilization and civil disobedience as a form of confrontation with the regime and as a way to a "growing pressure on the dictatorship."

If mutual understanding among all democratic forces is not achieved in the shortest time and if each force stubbornly continues to stick to its own plan without yielding an inch, we run the risk of missing the present favorable chance to inflict on the regime perceptible blows and to "drive it into a corner."

Some people think that the country can put an end to the tyranny without this necessary coordination of efforts. Indeed, it is possible. The people's sufferings, hunger, and poverty in which millions live, craving for justice, and hatred for the tyranny have transformed Chile into a real volcano. There are many omens of a possible powerful social explosion. On the other hand, a way out of the present situation is being desperately sought by the sections which stand for a "regulated" and "moderate" solution, and among the military, who are actually the last buttress of the regime, dissatisfaction with the director is growing. But in any case, the issue of an agreement among the widest democratic forces remains on the agenda, because when the trend toward alienation wins the upper hand, the situation may prove to be beyond control.

Under any circumstances and irrespective of any sacrifices required from us, we Chilean communists will remain in the front ranks of the battle for overthrowing the fascist dictatorship, and will keep in touch with the masses, as well as will preserve close contacts with our allies. At the same time, the constant defense of our principles, of our class policy, and of our line at combat unity among all democratic forces opposing the tyranny will be a part and parcel of this struggle.

The supreme and only goal of the policy pursued by the Communist Party of Chile are the interests of the people. This is the precise reason why we are for a system that would eradicate fascism, torture, and political crimes, and that would respect human rights indeed. We aspire to a democratic order guaranteeing sovereignty for the people and allowing the people to freely determine the homeland's destiny. Both in theory and in practice, we are the most consistent Democratic Party. We want mutual understanding with all 11 progressive trends in order to act in common and with the greatest effectiveness, and as soon as possible to put an end to the tyranny.

The chance to direct the developments along the most favorable path depends on the people and primarily on the workers class. If that path brings us to a progressive democratic regime, the Communist Party will continue its line at the widest possible alliance of social forces, without excluding from it any progressive trend, because the changes needed in Chile are all for the participation and for the common struggle waged by the majority of our country's citizens.

FINANCE MINISTER ON PLAN TO HANDLE COFFEE BONANZA

PA241652 Bogota Emisoras Caracol Network in Spanish 1215 GMT 24 Jan 86

[Text] Bogota--The plan to handle the coffee bonanza proposed in a bill to Congress by the government is aimed at preventing excess funds in Colombia that could have grave economic and social consequences, said Finance Minister Hugo Palacios Mejia. The additional funds derived from the bonanza could result in the release of more than 220 billion pesos, Palacios Mejia added.

The plan's main objective is to make sure that the funds obtained through the coffee bonanza will not remain abroad so that they can contribute to solving national problems. The funds derived from the bonanza must be capitalized in the public and private sectors, he continued.

During his appearance before the legislative chambers, Palacios Mejia stressed that the bonanza should not lead to the opening of imports to the detriment of an efficient national production. The coffee bonanza must be compatible with the maintenance of a balanced exchange rate; it must be congruous with the need to curb inflation and with recent developments in other economic sectors, he said.

The bill proposes control over the granting of credits by the banks in order to prevent the establishment of conditions that could reduce purchasing power, such as increasing the average sum that must be deposited in debtors' current accounts. If Congress approves the bill for the handling of the coffee bonanza, the government will only use \$600 million of the huge \$1 billion credit granted by international banks, according to the Finance Ministry's explanation of its plan. The new bonanza gives the country an extraordinary opportunity to consolidate the positive effects of the economic adjustments made by all Colombians, said Palacios Mejia.

During his presentation before the Congress, Palacios Mejia said that the residual funds--after financing the increase in the domestic coffee prices, the commercialization expenses, and the payment of the foreign debt of the National Coffee Fund can be used to strengthen important economic sector and enterprises, encourage savings, and reduce dependence on foreign credit. According to the Finance Ministry, it will only be necessary to use the first credit disbursement--or perhaps a little more--which could be approximately \$600 million.

Minister Palacios Mejia said that the two main objectives of the bill are to ensure that the bonanza will benefit the coffee sector, as well as the country. The funds from the coffee bonanza must be primarily assigned to cancel the National Coffee Fund's domestic and foreign debt and to capitalize most of the additional revenues so that in the future the fund can guarantee the stability of coffee growers income, he said.

Finance Minister Palacios Mejia said that if the Congress approves the bill presented for its consideration in the past few hours, the coffee bonanza will enable the country to handle the grave crisis confronted by the financial sector and public service enterprises. He added that several public service enterprises are lagging behind in their foreign debt payments, which seriously harms the country's international credit. Those enterprises have a foreign debt of approximately \$3.4 billion, of which more than \$600 million--approximately 110,000 million pesos--will be paid this year. The graveness of the problem is due to the growing support that the national budget has been giving these enterprises by paying their guaranteed debt through the foreign exchange fund. The amount paid has experienced an increase of 80 percent during the past 3 years totaling approximately \$330 million at the end of 1985, said Palacios Mejia. He added that today the financial sector has bad debts for 250 billion pesos that has required the release of money in unprecedented amounts in order to handle the system's liquidity requirements.

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CSO: 3348/379

DOMINICAN REPUBLIC

BLANCO ORDERS PROMOTIONS, APPOINTMENTS

FL201751 Santo Domingo LISTIN DIARIO in Spanish 9 Jan 86 pp 1, 13

[Editorial Report] Yesterday, Dominican President Salvador Jorge Blanco ordered by decrees several appointments, retirements, and promotions. Pilot General Leonel Amirlcar Monoz Perez was promoted to major general and was named chief of staff of the Dominican Air Force [FAD]. He replaces Major General Miguel Angel Restituyo, who was granted retirement. Pilot Colonel Freddy Paulino Gomez was also promoted to major general and was named chief of the northern area regional command based in Santiago. Pilot General Diogenes G. Lora was named deputy chief of staff of the FAD. Gumersindo Batista Diaz was named general administrator of the armed forces budget dining rooms. He replaces Brigadier General Ramon de Jesus Rodriguez Landestoy, who was granted retirement. Colonel Ramon Antonio Mora Alcantara was promoted to general and was appointed as deputy chief of staff of the Army. He is replacing Batista Diaz.

Paratrooper Colonel Rafael Milciades Luna Matos was promoted to general and named civil aeronautics director general. He is replacing General Luis Jose Martinez Cabrera, who was granted retirement. Pilot Colonel Francisco Alba Lopez was promoted to pilot brigadier general and named chief of the Central Air Command of the FAD. He replaces pilot General Jorge Humberto Percibal Pena, who was granted retirement.

Major General Ramiro Matos Gonzalez was also granted retirement. He is the former secretary of state without portfolio and general administrator of the national assets. Brigadier General Hector Lachapelle Diaz was appointed as secretary of state without portfolio and general administrator of the national assets with the temporary rank of Army major general.

Paratrooper Brigadier General Jacinto Mejia Rodriguez was named presidency under secretary with headquarters in Santiago and chairman of the Support Committee for the armed forces and the national police for the XV Central American and Caribbean games. He replaces Lachapelle Diaz.

General Paulino Gomez, who is command chief of the FAD in Santiago, is also given charge of the co-chairmanship of the aforementioned Sports Committee.

Pilot Brigadier General Ramon Andres Peralta was named general administrator of Las Americas International Airport. He replaces Vice Admiral Manuel Ramon Montes Arache, who was appointed naval advisor of the executive branch.

Colonel Manuel E. Nivar Pellerano was promoted to brigadier general and appointed as general administrator of the Puerto Plata International Airport.

/8918

CSO: 3248/178

CEL PRESIDENT EXPLAINS DAMAGE TO POWER SYSTEM

PA261629 San Salvador Channel 2 Television in Spanish 1900 GMT 24 Jan 86

[Text] CEL [Lempa River Hydroelectric Executive Commission] president General Jaime Abdul Gutierrez today at noon said that during the month of January the guerrillas have caused heavy damage to the country's power system.

[Begin Gutierrez recording] The powerline between San Rafael Cedros and 15 September is down. Also down is the powerline between 15 September and San Miguel. Fifteen structures [estructures] along this line have also been damaged. This is the situation we are currently experiencing. We also have another powerline between San Rafael Cedros and 15 September that is down. The powerlines between 15 September and El Triunfo and Santiago Maria and Usulután are also down. Also down is the powerline between Ilobasco and Sensuntepeque. This is our current situation.

However, the real situation is even more serious. The Cerron Grande-Nejapa powerline is still down. Last week the powerline between San Rafael Cedros and Soyapango; Soyapango-Nejapa; Nejapa-Opico; and San Antonio Abad-Nejapa; were down. This means that we had seven main powerlines down. This means that we could not supply power from any of the big hydroelectric plants, like Cerron Grande, 5 November, and 15 September. These powerlines had been cut. The 15 September plant supplies 157 megawatts; Cerron Grande supplies 35 megawatts; and 5 November supplies 82 megawatts. We, therefore, were experiencing a drop in power supply to the central and eastern sectors of the country. We were only receiving power supply from Guajoyo, the geothermal plant, and Acajutla. The Acajutla supply is limited because we are repairing one of the turbines, we are completely overhauling this turbine, therefore, of the two turbines this plant has, only one was operating. This was the situation of the past few weeks. We have now been able to restore the service and we only have to work on the three that are down.

The drop in the power supply is the reason why during the peak hours we were recording a 120 megawatt deficit. To resolve this problem we have had to put the geothermal plants in San Miguel, Soyapango, and Acajutla into operation.

To give you an idea of how this is affecting us I will tell you that on Saturday alone, we consumed 500,000 colones in fuel. The cost is high and even though we have the geothermal plants operating in Soyapango, San Miguel,

and Acajutla, we still can't cope with the demand for power. We must ration the power supply to the various areas of El Salvador. Priority must always be given to the industrial sectors, hospitals, and business sectors. Eventually we will have to close down some circuits and this is what you call rationing, but it is not really rationing.

Definitely, what we are attempting to do is to maintain the production of the country going and provide power to the most needed areas. I believe that by the end of the week the repairs should be completed except in the cases where new attacks occur. As you all know just as we finish repairing a line the next day it is down again.

This is nothing new, it has been going on for the past few years. The month of January has definitely been one of the most difficult ones in CEL's history, but we are working to resolve all those problems. [End recording]

Between August 1980 and August 1985 the power system has suffered 3,270 attacks. The losses amount to 126 million colones. This figure does not include the negative effects on our economy because without power we cannot produce or distribute.

/8918

CSO: 3248/177



PRTC ISSUES ANNIVERSARY 'MANIFESTO'

PA 281533 (Clandestine) Radio Venceremos in Spanish to El Salvador 0000 GMT  
26 Jan 86

["Manifesto" of the Political Committee of the Revolutionary Party of Central American Workers, PRTC, on the 10th anniversary of its foundation dated 25 January--read by announcer]

[Text] This 25 January 1986, our party is celebrating the 10th anniversary of its foundation.

Party organization and consolidation work has been carried out in the framework of the unification process of our people's historic vanguard, the FMLN.

This historic fact has determined, to a great extent, the special conditions of our party's consolidation process.

Today it is necessary to summarize what this consolidation process represents. We have to say that prior to the holding of the constituent congress in January 1976, we had made important organizational efforts for 5 years. In 1971, dozens of young revolutionaries formed the initial nucleus. By 1972 there were already several dozen revolutionaries working to build a party organization to implement all forms of struggle in a long-term process that would become, gradually, a growing people's revolutionary war.

These revolutionaries accepted the principles of scientific socialism as an action guideline.

This initial political-nucleus-creating period is indissolubly linked to the work of our exemplary and unforgettable Alan Diaz Salazar and Leonel Lemus Arevalo.

In 1973, the organization adopted a name to identify the organizational effort that was being made. This is how the Revolutionary Organization of the Workers emerged into the national political arena. At that moment, this organization decided that it was necessary to function in a strictly clandestine way.

The organization was expanded and some military activities and urban guerrilla operations began to be carried out. One of the most noteworthy operations in that initial period was the attack on the San Jacinto Bank branch because it yielded the recovery of funds that were necessary to secure organizational growth.

Our militants then increased their clandestine political and military efforts with open and combative support from the masses.

In 1975, when the first unification efforts of the revolutionary left were frustrated, our political work with the masses was organized under the name of the League for Liberation. This allowed us to function among various popular sectors and to develop our organization in other departments of the Republic.

Ties with revolutionary groups in other Central American countries were expanded and organizational concepts and principles were developed. These concepts and principles became the basis for the PRTC.

Without the initial work carried out for 5 years it would have been impossible to create the party.

The constituent congress, or first congress, was held in San Jose, Costa Rica. At the conclusion of this event, on 25 January 1976--10 years ago--every effort was made to consolidate the political-party nature of the organization's structures.

The organizational effort of many of the leading cadres was significantly expanded and had effects beyond the Salvadoran borders. Firm and everlasting ties of brotherhood were established with other Central American revolutionaries.

The initial legacy of lessons and practical experiences summarized at the first congress were put to the test. Many resolutions, orders, and agreements were ratified. Others required corrections and modifications.

In 1979, after the rank and file had studied much, the PRTC held its second congress in Tegucigalpa. Its most important achievement was the approval of important modifications to strategic concepts and a new form of leadership-structure integration that permitted the approval of tactical plans for specific work in countries where it had organizational foundations.

The revolutionary spirit and dynamism of our unforgettable comrades Manuel Federico Castillo and Jose Maria Matas represent an outstanding contribution throughout this period.

In El Salvador, these steps permitted a better correspondence between theory and practice. It was possible to develop the political preparation of all the members of the organization. Soon, mass work was expanded and united under the name of the People's Liberation Movement.

After a few months, this movement became part of the Revolutionary Coordinator of the Masses. At the same time, the guerrilla organization multiplied its efforts to face the enemy forces and to secure funds to finance the political and military struggle that by now was already showing a tendency to develop as a real war.

In 1980, after studying new concepts and organizational functioning, the regional Central American structure was dissolved and autonomous and independent party structures were formed in El Salvador and other countries. That year, on 5 December, the party became part of the FMLN. This fact represented the most important acknowledgement of our party as a vanguard organization by other responsible revolutionary organizations. That date is commemorated by our party as the day of revolutionary joy.

From then on, our party has marched united, as a single fist, with the other organizations that compose the vanguard. This demanded new and greater responsibilities. During 1981 and 1982, our party dedicated all its efforts, ability, and experience to increasingly contribute in a practical way to the heroic war of liberation being waged by our people.

During these years of revolutionary advances, we can say with pride that we have given evidence of having complete firmness and responsibility toward unity in the framework of the FMLN. We have always affirmed that unity is the guarantee of victory and that unity must lead the FMLN to the creation of a single party.

The example of comrades such as Luis Diaz, Humberto Mendoza, Mario Melara, Felipe Ramos, Marcelino Rivas, Francisco Hernandez, Santos Menjivar, and other companeros who fell during the heroic efforts of 1980 and 1981 served to make the party advance.

During 1982, in addition to carrying out the military and political tasks imposed by the struggle, we carried out broad and intense party consolidation efforts that facilitated and made possible the party holding its third congress in the heroic Guazapa front in January 1983. This was the first congress held as the PRTC of El Salvador.

This congress meant the conclusion of a big effort to make initial strategic concepts fit the new conditions that the struggle in El Salvador and Central America represented in the framework of a full war against the puppet and, increasingly more directly, against his imperialist masters.

The agreements reached at the third congress have facilitated the implementation of many development, consolidation, and purification programs that the struggle demands.

During 1983, 1984, and 1985, the PRTC, like the other FMLN organizations, has been able to successfully counteract the new tactics that the enemy

has been using in its desperate effort to frustrate the aspirations of the people. Those tactics have artificially prolonged the war because the imperialists of the Reagan administration have increased their interventionist activities.

Revolutionary will and responsibility have been tempered in the past 2 years. Dozens of our cadres and all our militants have gained combat experience. The example of companeros such as Mardoqueo Cruz, Anibal Osorio, Arturo Ramos, Celia Margarita Alfaro, Lorenzo Marquez, Juan Jose Alvarado, and the other companeros who fell and the unbending attitude of responsibility made evident by many of our companeros who have been captured and tortured by the enemy have made the party stronger and have served to reject those who in view of the prolongation of the war became either afraid, or renegades, or traitors.

Right now our party is present, and growing stronger, in various war fronts and in most of the areas under the control of the revolutionary forces. Our cadres' activities in the countryside and in the cities are not only being maintained, they are being expanded to disputed areas and to areas under enemy control.

Our military organization, through its militia units, local guerrillas, and mobile units of the Luis Adalberto Diaz detachment, has guaranteed the implementation of important joint and individual military missions that have been part of the FMLN campaign and that have represented our party's contribution in the joint task of safeguarding and expanding our military initiative.

Through the Mardoqueo Cruz urban commandos, our organization has carried out important missions in the very rearguard of the puppet army. Our mass organizations have been organizing themselves in new ways and carrying out activities that correspond to the new conditions that have been created by the war both in the cities and in the countryside. This is being done with the firm decision to secure the participation of all people in the war against the puppet regime being headed by Jose Napoleon Duarte.

We are proud of what has been done. We are aware of what has to be corrected and improved. We are happy to know that we have solid foundations that will serve as the basis for the new and more important tasks ahead.

We are celebrating this 10th anniversary in the framework of a situation that makes evident that the FMLN has been able to defeat the strategy behind the most recent military tactics of the enemy.

Throughout 1984 and 1985 it was evident that there was a reactivation of the mass struggle in both the countryside and the cities, something that makes evident the failure of the allegedly achieved political objectives of imperialism and the puppet army.

Another situation that is characteristic of the current situation is that the FMLN has specifically reiterated that it is firmly resolved to finding a political solution to the war through dialogue and negotiations between the parties at war. This is in contradiction with the demagogic inconsistency and hysteria of Jose Napoleon Duarte.

Political and military facts have placed the puppet army in a new crisis. The counterinsurgency plan is in a political, economic, and military crisis that cannot be hidden.

The growing military activities, their expansion into new territories, the generalization of destabilization operations, the intense bloodletting that the regime has been enduring, the carrying out by surprise of strategic-level operations, and the blows deep in the enemy territory and rearguard have sunk the puppet army into a situation of operational chaos that is creating among the troops a situation of moral discouragement of such an extent that cannot be hidden and that is an indication that the contradictions at the rank and file level and between the rank and file and the Duarteist gang will increase.

The Duarteist gang has given important evidence of weakness whenever it has to face the consequences of the war when war affects it directly.

On the other hand, the puppet army has been unable to at least mitigate the economic crisis that has become worse because of the artificial prolongation of the war.

Because of the antipopular and antipatriotic interests that the regime represents, an effort is being made to have the masses absorb the situation through the implementation of an economic policy that will represent more poverty for the workers.

However, at this stage, the mass movement in the cities and in the countryside has reached a level of reactivation and organization that guarantees that there will be a significant increase in the recovery struggle of the workers, a struggle that undoubtedly will contribute to the struggle for a social revolution.

This uninterrupted ripening of objective and subjective factors in the revolution is preparing our people and their vanguard--the FMLN-FDR--to successfully face any direct, desperate, and adventuresome interventionist effort that the imperialist administration of Ronald Reagan could promote in our country and in the rest of Central America.

This has been a summary of what our political and organizational work has been as the PRTC. We have pointed out the elements that best characterize the current situation.

To our FMLN-FDR sister organizations, to the Salvadoran and Central American people, and to all the people of the world, we state:

1. Our willingness to correctly, with firmness and discipline, carry out all the military missions assigned to us by the General Command of the FMLN in the framework of the new campaign plans.
2. Our decision to increase our efforts to expand the recovery and political struggle of the mass organizations in both the countryside and the cities.
3. Our full commitment to fulfill all the diplomatic missions, as well as missions of any other nature in the international framework, assigned by the FMLN-FDR leadership.
4. We are fully prepared to coordinate and unite efforts to create new struggle fronts and to expand the zones under revolutionary control.
5. We are fully willing to continue complying with all the agreements that have been reached to strengthen the unity of the FMLN and of the FMLN with the FDR. We want, and we are interested in, the adoption of new and more significant agreements to develop irreversible bases that will lead to the formation of a single party and a single army.
6. Finally, we state that our party--at all leadership levels, and at the level of all the military units and rank and file organizations--has been taking measures and getting prepared in the framework of its 10th anniversary, not only to comply with what is stated here, but also to successfully face--together with the other FMLN-FDR organizations--any imperialist attempt to stain national sovereignty with an increase in any of the manifestations of the imperialists' interventionist policy.

We will comply with what is stated in this manifesto based on our determination to fight until victory in Central America, for liberation, and for socialism.

Revolution or death, we will win. United to fight until final victory.

El Salvador, 25 January 1986

/6662

CSO: 3248/181

# COMPLETION OF SALINES AIRPORT MISSING DEADLINES

## New Delays

St Georges THE GRENADIAN VOICE in English 28 Dec 85 p 1

[Text]

YET another date has passed for the handing over of the Point Salines International Airport without the handing over being accomplished.

When the Airport was opened under the Interim Administration in October 1984 it

was understood that the Airport would have been completed by August this year. It was then understood that the Airport would be completed in time for the Queen's visit, but this date also passed. The VOICE understands from a usually reliable source that the latest

date named was December 20 but this too has passed.

Scaffolding come down from most of the Terminal building but work still continues and incoming passengers continue to use the makeshift arrivals area erected in time for the opening.

## Managerial Changes

St Georges THE GRENADIAN VOICE in English 28 Dec 85 p 1

[Text]

MR. DAVID LANER has been appointed to act as Manager of Point Salines International Airport as well as to the substantive post of Manager Operations while

Ms. Dorothy Gittens who had been acting Manager has been appointed to the post of Manager Administration. A substantive Airport Manager has not yet been appointed.

/9274

CSO: 3298/283

SENATOR REVIEWS DEVELOPMENT PLANS FOR CARRIACOU

St Georges THE GRENADIAN VOICE in English 28 Dec 85 p 8

[Text]

PARLIAMENTARY secretary for Carriacou, Senator Franklyn Bullen told the GRENADIAN VOICE that his Government have a number of plans for the sister Island of Carriacou. According to Mr. Bullen the most significant development is the installation of the Telephone system which was installed in August. At present the people can dial straight from Carriacou to Grenada, and more people are registered for telephones at their homes.

Mr. Bullen said another new phase of electricity of expansion has recently started, primarily in the country

area. Also at present a large number of people are employed on the road. This is another programme of the Government to fix all roads.

At present, road work is being done at Windward, Sixroads, Bogles, L'Esterre and Belmont. But according to Mr. Bullen the road programme is facing some problems, especially with some of the equipment in which there have been break downs. He gave the assurance that by mid January these problems will be solved.

"Also there is more good news for the sister Island," said Mr. Bullen, "USAID has promised to hand down some funds for the resurfacing



of the Lauriston Air Strip." This project is expected to start early in 1986."

"Looking at health in the Island," said the Secretary" work is soon to be started on the Hillsborough Health Centre, more facilities are expected to be installed for the benefit of the people. Also the Junior Secondary School will be upgraded with some educational facilities for students, and some renovation is expected to take place in the next two months."

"Basically the focus on Carriacou has been largely on infrastructure and this will continue to be the main thrust for 1986,

because Carriacou has been neglected over the past years by the different administrations" said Senator Bullen.

He said that in 1986 attention will be centered on, organisation, and having things done in a better and planned way. Recently a task force has been set up to deal with infrastructure, and the first meeting is expected for next week. Some of the aims of the task force are to identify problems which face the people, devise productive programmes, and also assess the different projects, identifying the weaknesses, and making every effort to ensure improvements.

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CSO: 3298/283

GAIRY ASKS GOVERNMENT FOR LABOR ARBITRATION TRIBUNAL

Port-of-Spain TRINIDAD GUARDIAN in English 6 Jan 86 p 5

[Text]

ST. GEORGE'S, Sun., (AP):

SIR Eric Gairy, President General of the Grenada Manual, Maritime and Intellectual Workers' Union, said yesterday he had written to Prime Minister Herbert Blaize asking for the setting up of an arbitration tribunal.

According to Sir Eric, his request for the establishment of the tribunal offers the Government's agriculture administrators and the owners of private farms a way out of the current strike by his union, which he claims is partially successful, but which employers say has collapsed.

Under Grenada law, industrial disputes cannot go to arbitration except by agreement of both sides. But according to Sir Eric, if the matter does not go to arbitration, he will take the employers to court under the "recognition law," which provides for fines of up to \$5,000 and two years in jail, or both, against an employer who fails to negotiate with a recognised union.

The union called its strike four months ago against the agricultural industry, seeking higher wages. Initially, the stoppage appeared to be successful, but the position is now unclear.

Sir Eric, who was Prime Minister of Grenada until his ouster in a 1979 coup by a left-wing group headed by Maurice Bishop, said workers' on most privately-owned farms returned to their jobs. But he claimed that 70 per cent of the workers on Government's 23 farms were still on strike.

A source close to Grenada Farms Corporation (GFC), the body which manages all Government farms, denied that the walk-out continued to make itself felt.

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CSO: 3298/283

CUBA-EDUCATED STUDENTS CHARGE GOVERNMENT DISCRIMINATION

FL152228 Bridgetown CANA in English 2046 GMT 15 Jan 86

[Text] St George's, Wednesday, (CANA)--Thirty-two Grenadians who received medical, engineering and other training in Cuba have accused the government here of discriminating against them in providing jobs.

In a statement sent to CANA, the students charged that the centrist government was pursuing a "narrow-minded, backward and unpopular stand" of refusing to accept and employ Grenadian graduates of Cuban institutions.

The students went to Havana to take up scholarships offered to the leftist People's Revolutionary Government (PRG), which was ousted in 1983. They returned home five months ago after graduating in such areas as dentistry, civil engineering, agronomy, economics, veterinary medicine, mechanical engineering, languages, chemical engineering, food science and radiology.

The statement said only a dentist and an agronomist had been employed by government in their professional capacity while another seven graduates had been retained on the salaries payable before they had left for Havana.

Five graduates were said to have found work with non-governmental enterprises while 18 were unemployed.

The government said last year that it had approached the University of the West Indies to help in assessing the qualifications of the graduates before offering them employment.

An interim government which took over after the PRG was ousted had advised Grenadians on government scholarships in communist countries to quit their studies.

The government said then that it would make arrangements for their return and for the continuation of their studies elsewhere.

In today's statement, the students said that a few months before returning home they had sent a letter to the government, asserting their willingness to serve the country but it was clear they were now being discriminated against.

They said: It is now five months since we have been here and although the government stated in a radio broadcast that there wouldn't be any hostility towards us, today we are still faced with the problems of unemployment, and failure to recognize our qualifications.

We would like to state quite clearly that, contrary to statements made in the local media, we are a group of serious, honest and patriotic Grenadians dedicated to contribute to the development of our country and are not time bombs, vicious points of infection, saboteurs or contaminated, neither do we have a history of violence.

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CSO: 3298/283

## EEC CITES ASSISTANCE IN 1985 FOR VARIOUS PROJECTS

FL201705 Bridgetown CANA in English 1820 GMT 19 Jan 86

[Text] St Georges, 19 Jan (CANA)--The European Economic Community (EEC) provided more than 1.5 million U.S. dollars for projects in Grenada during 1985, a spokesman for the EEC office here said.

The spokesman said the biggest single grant was 750,000 U.S. dollars under the Stabex scheme. Stabex funds are used for commodity price support and are available to farmers of the Grenada Cooperative Nutmeg Association, the Cocoa Association and the Grenada Banana Cooperative Society.

The next largest grant was 317,000 dollars U.S. to the eastern main road project, which is co-financed with the Grenada Government. Work on this project is in its second phase, the spokesman said, but there have been delays due to shortages of materials. Nevertheless, this phase should be completed by June.

Another project to be completed this year is the Mirabeau Agricultural Training School, which the Community is co-financing with Hivos, a non-governmental Dutch organisation. Its 1985 contribution to this project was 123,000 U.S. dollars.

Early in 1985, the minister of tourism carried out a promotion programme for which the Community paid the bill of 82,000 U.S. dollars. This project involved printing of 20,000 brochures and guide books, the EEC spokesman said, as well as establishment of a photo library, slide presentation and a press relations programme.

Moco disease was discovered in Grenada's banana plantations in 1978 and, since then, there has been an on-going programme to control and eradicate it. In support of this, the EEC contributed 74,000 U.S. dollars in 1985, not only for work in Grenada but in the Windward Islands through the Windward Islands Banana Association.

A further 74,000 dollars U.S. was provided by the Community to assist non-governmental farm supply centres and 97,000 U.S. dollars to port development in the Grenadines.

In addition to these donations, the EEC spokesman said, during 1985 Grenada received 125 tons of skimmed milk powder for distribution to hospitals and schools.

The spokesman said the figures for 1986 EEC grants have not yet been finalised, but it was unlikely that the total would be less than in 1985.

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CSO: 3298/283

BANNED BROADCASTER VOWS TO REOPEN RADIO STATION

FL201822 Bridgetown CANA in English 2228 GMT 19 Jan 86

[Text] St Georges, 19 Jan (CANA)--British-based Grenadian journalist Stanley Charles says he will set up a radio station beaming at Grenada if the government here fails to allow him to re-open a radio station it closed down last year.

There would be a radio station called La Baye. It would be an international waters and we would target Grenada as an area to broadcast to, he told CANA.

The journalist is now facing charges in connection with alleged violation of the island's wireless telegraphy ordinance and the custom ordinance relating to the importation of electronic equipment for the closed station.

He asserted: We are going to be broadcasting (again), which is what we are trained to do and do best. We want to make money and employ people and get involved in generating income.

Charles also said he would sue the government and police for damage in connection with the closure of the radio station after making its first broadcast last June. I think we would sue the police and everybody in the action taken against us, which is unfair and unjust, he said.

The journalist has said he received permission from the permanent secretary in the prime minister's ministry to get up the station here, but the government denied this.

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CSO: 3298/283

## OPPOSITION COALITION GROUP BEGINS CARIBBEAN TOUR

### Plans for Trip

FL231533 Bonaire Trans World Radio in English 1130 GMT 23 Jan 86

[Text] A delegation in Guyana from a recently formed opposition party coalition leaves today for visits to several East Caribbean countries. The delegation includes the leader of the People's Progressive Party, Dr Cheddi Jagan. Dr Jagan and other delegation members hope to discuss the situation in Guyana with government officials and opposition party members in Trinidad and Tobago, Barbados, and some other countries.

### Arrival in Port-of-Spain

FL241633 Bridgetown CANA in English 1616 GMT 24 Jan 86

[Text] Port-of-Spain, 24 Jan (CANA)--Representatives of five Guyanese opposition political parties are in Port-of-Spain on the first leg of a regional tour seeking support for free and fair elections at home.

The parties grouped under the People's Patriotic Coalition for Democracy (PPCD) claim that last month's elections were rigged by the ruling People's National Congress (PNC).

At a news conference yesterday, PPCD spokesmen repeated their pledge to try to remove the PNC by peaceful means.

We recognise that there are various ways of changing a government, said Llewelyn John, leader of the People's Democratic Movement (PDM). We have chosen the electoral system because we feel we have hope, because we feel people still believe in the electoral system.

The coalition members rejected the PNC's assertion that comments by foreigners on the elections constituted interference in the country's internal affairs. The issue of human rights in Guyana applied to the region, they argued.

We are in the same boat, said Dr Cheddi Jagan, general secretary of the People's Progressive Party (PPP). Guyana has sunk very low down the scale and, if we do not help each other, I think all of us will suffer.



If regimes are going to be brutal to suppress the rights of the people, then people outside have to help them in whatever possible way it can be done, added Jagan.

The coalition members said they met yesterday with the general secretary of the ruling People's National Movement (PNM) here, Alvin Quamina.

They said that a broader meeting with PNM representatives is due to take place at PNM headquarters later today.

The three leave for Barbados this weekend.

The coalition outlined plans for what it called a grand march expected to take place early next month. The march will run 12 miles along Guyana's east coast, eight miles along the east bank ending in a rally in Georgetown.

We want to keep this resistance non-violent, said Eusi Kwayana, chairman of the Central Committee of the Working People's Alliance (WPA).

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CSO: 3298/284

# PROTOCOL ON VOCATIONAL TRAINING SIGNED WITH GDR

Georgetown GUYANA CHRONICLE in English 7 Dec 85 p 12

[Text]

REPRESENTATIVES of the Governments of Guyana and the German Democratic Republic (GDR) yesterday signed a protocol aimed at providing long-term vocational training for Guyanese in the GDR beginning next year, a release from the Department of International Economic Co-operation (DIEC) said yesterday.

The protocol, which came into effect yesterday followed discussions with the GDR's delegation to the Guyana-GDR Joint Commission held in Georgetown in February this year and continued by officials of the DIEC, GDR and Ministry of Education.

At the Joint Commission meeting the GDR team agreed in principle to Guyana's request and subsequently offered to make available to Guyana up to ten scholarships for

vocational training from next year.

It is expected that the first trainees, who will be selected from agencies which are engaged in projects with the GDR or are recipients of GDR technology, will commence their training in March, 1986.

The Ministry of Agriculture, the Guyana National Service, the Guyana Geology and Mines Commission and the Ministry of Works are among the beneficiary agencies.

At the end of the two-and-a-half year training programmes, the vocational trainees are expected to achieve high standards of performance in their fields

of endeavour, the release noted.

The signing of the protocol is considered a further demonstration of the strong ties of friendship and co-operation which bind together the peoples of the two countries.

Signing on behalf of the Government of Guyana yesterday was DIEC head, Cde. Donald Abrams, while GDR charge d'affaires, Cde. Guenther Maeser signed on behalf of the GDR Government.

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CSO: 3298/284

## BRIEFS

REID WITHDRAWAL FROM POLITICS--Georgetown, 16 Jan (CANA)--Former Guyana Prime Minister Dr Ptolemy Reid today formally bowed out of active party politics by announcing his resignation as deputy political leader of the ruling People's National Congress (PNC). Reid, after going to Cuba for medical treatment, resigned as prime minister and a member of Parliament in August 1984. The time has come to give way to a younger man. I have done my part, he told CANA. Reid, who has been appointed special adviser to President Desmond Hoyte, said he will devote his time to farming, but will maintain an interest in politics by visiting party groups from time to time. [Text] [Bridge-town CANA in English 2322 GMT 16 Jan 86 FL] /9274

CSO: 3298/284

## JLP DECRIES PNP DISCLOSURE OF ELECTION AGREEMENT

Kingston THE DAILY GLEANER in English 20 Dec 85 p 1

## [Text]

The Deputy General Secretary of the Jamaica Labour Party, the Hon. Karl Samuda, has called on PNP President Mr. Michael Manley to apologise to the Independent Members of the Electoral Advisory Committee for releasing to the media contents of an electoral agreement between the PNP and the JLP before the Committee knew about them.

Mr. Samuda, Minister of State in the Ministry of Industry and Commerce, sent a letter to the General Secretary of the PNP, Dr. Paul Robertson yesterday, repudiating what he said was a suggestion of the JLP sharing the blame for the "grave discourtesy" paid to the Independent Members of the Committee by the Leader of the PNP.

This followed disclosure of an

accord between both political parties on the basis of letters exchanged between Mr. Manley and Mr. Seaga, and which letters Mr. Manley released to the media.

Mr. Samuda who is also one of the JLP's representatives on the Committee, said that by simultaneously replying to the unpublicised letter from the Prime Minister and Leader of the JLP and issuing a news release announcing the hitherto confidential agreement reached between the two parties, the JLP's intention to reveal details of the agreement to the Independent Members prior to public announcement was frustrated.

"The contempt displayed and the embarrassment occasioned to the Independent Members by learning of our agreement — through the news

media — at the same time as the general public, rests solely with the PNP, through its leader. This conduct demands a public apology to the Committee by Mr. Manley," Mr. Samuda said.

Setting out what he said were the real events leading to the agreement, Mr. Samuda said that the Prime Minister met with the Independent Members of the Committee and the Minister with responsibility for electoral matters, and proposed that the method of examining parish council boundaries before determining constituency boundaries should be reversed.

He said that Mr. Seaga, who suggested that the exercise be done on the basis of one parish per week, starting with St. Thomas, informed the Independent Members that he intended to reach agreement with the PNP on his (Mr. Seaga) proposal.

The exchange of letters between the Leaders of both parties formalised the agreement, he said.

"The JLP's intention was to continue to maintain confidentiality and to formally advise the Independent Members prior to public announcement in the full knowledge that the only body authorised to make such a decision is the Electoral Advisory Committee," he said.

Mr. Samuda said it was a pity that such an "historic agreement" particularly at this time, should have been marred by the discourtesy paid to the Independent Members, the integrity of whom has never been questioned by either party or in fact any member of the public.

# MANLEY BLASTS JLP GOVERNMENT, 'BLOWS' TO PUBLIC

## Warning of Future Tensions

Kingston THE SUNDAY GLEANER in English 22 Dec 85 p 1

### [Text]

A warning that the P.N.P. "will not sit idle" if there are further blows dealt to the people in the shape of major taxes, further increases in the price of gas, basic foods or essential drugs, has been issued by the President of the party, Mr. Michael Manley.

"Any further pressures are likely to release social tensions which cannot be controlled," said Mr. Manley in a statement made against the background of the winter tourist season and its prospects.

Mr. Manley said the Party had learned with concern that early indications for 1985/86 winter tourist season were not favourable, as the Government had not advertised in the North American market at the critical time in 1985, preferring to divert funds for manipulation of the auction system.

The Government had only just commenced advertising which was far too late for this winter season and, in addition, the Jamaica Tourist Board's marketing programme during the critical

pre-winter period had been inadequate, further aggravating the problem, Mr. Manley said.

There was also a shortage of airline seats because extra flights had not been scheduled.

The tourist industry had been "sacrificed on the altar of auction politics," he said, adding that the situation had grave implications for hoteliers and villa owners who had invested heavily in upgrading their properties.

Mr. Manley however pledged the Party's support for "this vital industry", noting that the PNP was mindful that the country was struggling to survive the combined effects of the bauxite decline and the "irresponsible policies" of a Government which had been both inconsistent and arbitrary in its economic management.

According to the P.N.P. leader, "the latest fiasco" in the Government's performance in its preparation for the winter tourist season underlined the importance once again of Jamaica arriving at a political solution through elections so that the country could settle down to deal with the problem.

## New Year's Message

Kingston THE DAILY GLEANER in English 1 Jan 86 p 3

### [Text]

Following is the New Year's message of President of the People's National Party, Mr. Michael Manley:

"For many Jamaicans, 1985 was a traumatic year.

Never before in recent history have there been as many crises which affected us as individuals so seriously. Never before has our nation suffered so many shocks to its economic, social and political system.

It was a sad year for thousands of men and women, who at the peak of their working lives had their careers terminated without warning to face a future seemingly empty of hope. Never too, has a year ended with so many workers wondering how long before they too will suffer the fate of redundancy.

It was sad for our youth who, though prepared to sit examinations which would open that first door of opportunity, found that increased fees were more than their parents could afford.

It was a year of frustration for our teachers, our nurses, our doctors, and for the men and women of our Police Force, who, while continuing to work under intolerable conditions, were offered increases which were insulting.

For consumers, it was a year in which rising prices of basic necessities drastically reduced their standard of living and consequently lowered the quality of life of our people.

The year has ended with a belated acceptance of the view we have consistently put forward that the exchange rate has to be held at a constant level for reasonable periods of time. And it is a great pity that this advice was stubbornly rejected by the Government for so long. For had it been accepted, some of the pain of 1985 could have been avoided.

Unfortunately, the way which has been chosen to stabilise our exchange rate is the one calculated to do the greatest damage to Jamaica's future. The method used of drawing down on foreign exchange which will be earned in 1986, of selling our overseas assets, of diverting funds to the auction which should have been used for tourism advertising and promotion during the critical pre-winter tourist season, and the failure to settle promptly funds owed to major overseas airlines and which have now led to a shortage of airline seats — all this has put Jamaica's economic future at risk.

We are therefore going to discover in 1986 that a price has to be paid for every single irresponsible act associated with the current manipulation of the auction system; and our country and people will continue to suffer the agony of more national and personal economic crises.

It is quite clear to us that the deepening crisis is as much one of attitude and confidence as it is of

economic statistics.

The answer, as we see it, is for a political solution — not that that will provide a miraculous end to our problems, but that it can be a resurrection of national unity to give us the strength to overcome our present difficulties.

It is therefore a source of satisfaction to us that by next April all the final conceivable obstacles which have so far been a block in the way of holding free and fair elections will be removed. At that time, it will be critical for the people of Jamaica to be provided the opportunity of exercising their democratic right to choose between the strategies of the present Government — which have clearly failed — and the alternative we have presented to the nation.

Five years have now passed since the people of Jamaica had the last opportunity to say if they approve of an economic strategy and of social policies. By April, it will be five years and six months, that is three months more than our Constitution contemplates.

In our view, the people have a fundamental right, in principle and democracy under our Constitution, to review their Government every five years. The JLP, and Mr. Seaga, insist that the immoral act of December 1983, gives them the right to prevent the people of Jamaica from voting for eight years.

We do not quarrel with that from a purely legal point of view. However, we do not agree that Mr. Seaga has the right morally, politically or democratically, to use what was a legal trick in 1983 to deny the people the right to give their mandate for eight long years.

There are dangerous implications for Jamaica in what is being done to our democracy. One of the great things about democracy is that it provides people with the chance for renewal of their own faith, the renewal of their own optimism, and the renewal of their commitment. For these reasons, it is my belief that what gives democracies their extraordinary stability is precisely because from time to time this right to take counsel is provided.

Jamaica needs that moment of renewal now.

It is therefore my sincere hope that 1986 will see a restoration of that democratic principle in Jamaica; and that the Government will see the wisdom of submitting itself to the will of the people so that Jamaicans can experience a rebirth of confidence and faith in the future and mobilise all their efforts to tackle the stern but challenging tasks which face our country.

It is in this spirit of belief and commitment to the democratic process that I wish you all a happy and better New Year. May God bless you all.

## MANLEY THREATENS MASS PROTESTS OVER JLP 'FASCIST' TACTICS

FL221736 Bridgetown CANA in English 1715 GMT 22 Jan 86

[Text] Kingston, 22 Jan (CANA)--Opposition People's National Party (PNP) leader Michael Manley charged that Monday night's disruption of a parent-teachers meeting by government supporters had fascist undertones and warned that his party would organise mass protests if the authorities failed to act against such tactics.

Persons identifying themselves as members of the ruling Jamaica Labour Party (JLP) affiliate, the National Patriotic Movement (NPM), shouted down speakers, chanted government slogans and threw rotting eggs at the meeting at which the Jamaica Teachers Association (JTA) was outlining its salary dispute with the government to the umbrella parent-teachers organisation.

The NPM is the right-wing faction of the JLP.

Car tyres of some persons attending the meeting at a Kingston high school were also slashed.

JLP General Secretary Ryan Peralto promised an investigation of the incident and said party members should be disciplined if necessary.

But Manley, recounting what he said were other incidents of JLP tactics, said Peralto's statement rung shallow.

(Monday night's incident) is part of a historical pattern of terror tactics which has now reached dangerous proportions (and) which the PNP is not prepared to accept, the former prime minister said.

He said the violent intervention by JLP supporters in an industrial dispute had a fascist undertone.

If the security forces fail to act or there is any repetition of this systematic campaign of disruption, the PNP will be obliged to mobilize mass protests in order to emphasize the constitutional right to hold peaceful meetings without disruption of Jamaican holligans, Manley declared.

The PNP, supported by the vast majority of Jamaicans, will not surrender to an orchestrated pattern of terror and intimidation, he added.

State-paid teachers and government are at loggerheads over the workers' demands for pay hikes which the administration says it is unable to afford.

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CSO: 3298/285



## IMPORTS, EXPORTS, OTHER ECONOMIC DEVELOPMENTS REPORTED

## Drop in Bauxite Exports

Kingston THE DAILY GLEANER in English 20 Dec 85 p 1

[Text] Preliminary data indicates that total bauxite exports, both crude bauxite and as alumina, for the year 1985 is down sharply by 30 per cent to 6.14 million tonnes. Crude bauxite exports at 2.28 million tonnes in 1985 is one-half the 1984 level of 4.56 million tonnes. Alumina exports at 1.6 million tonnes for the year 1985 is down 7 per cent below the 1984 figure of 1.7 million tonnes.

Negotiations are reportedly taking place between the Government and Alcan regarding the amount of levy being paid by Alcan. These negotiations were initiated by Alcan which is the only one of the original three foreign owned alumina companies that is still in operation, maintaining their plants at approximately 75 percent of capacity. Alcoa closed earlier this year and is now being operated by the Government-owned CAP, Alpart was closed later in the year.

A release from the Jamaica Bauxite Institute attributes the sharp fall in crude bauxite exports to:

- (a) the termination of bauxite shipments by Reynolds Jamaica Mines consequent on their decision to cease operations in Jamaica;
- (b) the completion of the contract between the Government of Jamaica and the U.S. General Services Administration for the supply of 3.6 million tons of Jamaican bauxite; and
- (c) a decline of 19% in shipments by Kaiser Jamaica Bauxite Company.

The release said that the principal factor in the modest decline in alumina was the decision by Alcoa Minerals of Jamaica to suspend refining operations.

The release pointed out that production in crude bauxite terms, by or on behalf of the Government agencies, Jamaica Bauxite Mining Limited, Bauxite and Alumina Trading Company of Jamaica and Clarendon Alumina Production (CAP) amounted to 1.32 million tonnes, or 21.5% of total production. With the coming into full operation of CAP and the suspension of operations by Alumina Partners of Jamaica, the Government is expected to account for about 35% of total production in 1986.

## Rescheduling of Debts

Kingston THE DAILY GLEANER in English 28 Dec 85 pp 1, 3

### [Text]

Agreements for the re-scheduling of approximately \$270 million in loans owed by the Government and its corporations, as well as for a new \$20 million loan from the Government of the United Kingdom, were signed at Jamaica House yesterday. There was also agreement for re-scheduling of some \$24 million in British loans.

Prime Minister Edward Seaga, who signed the agreements on behalf of the Jamaican Government, commented on the interest-free nature and extended repayment and grace periods of the U.K. loan, as well as the fact that the agreement with Bank of Nova Scotia Jamaica Limited to reschedule \$270 million owed by public corporations and statutory bodies, marked the extension of the rescheduling programme to local debts.

He said that the agreement with the BNS consolidated the range of debts owed by the Government agencies to the Bank and would put them on a better financial footing. He said he hoped to conclude similar agreements with other banks and thanked the BNS for concluding theirs before the end of the calendar year.

Among the public entities to benefit from this rescheduling, are the defunct Banana Company of Jamaica and Martin's Jamaica, both of whom the Prime Minister pointed out had left behind enormous debts. The others are the Jamaica Industrial De-

velopment Corporation (JIDC), the National Water Commission (NWC), the National Sugar Company (NSC), the Urban Development Corporation (UDC) and the KSAC.

Mr. Seaga signed an agreement for an interest free loan of £2.5 million (\$19.635 million) for economic development with the U.K. Government. The loan will be used to purchase machinery and equipment from that country. It is repayable over a 17-year period commencing October, 1992 and ending April 2002, with a seven-year grace period.

Under the rescheduling agreement with the BNS, the \$270 million owed by statutory bodies and other public corporations to the Bank are to be repaid over a 10½-year period, with 4½ year's grace at 1% above the lending rate, which means that the interest will fluctuate.

The rescheduling agreement with the U.K. is in keeping with the terms of the Paris Club meeting, which was signed in July between representatives of certain creditor countries and the Jamaican Government and is aimed at alleviating the country's external debt service obligation.

It provides for debt relief of the Government of the U.K. and Northern Ireland in respect of U.K./Jamaica Programme Loans executed between 1978 and 1982. The total amount involved is \$523.790 million (£1,029,528.45) representing principal of £1,928,890 and interest of

£1,100,638.45 falling due between April 1, 1985 and March 31, 1986.

The identical Paris Club terms of the rescheduling of 100% of the principal and 50% of the interest with a total repayment period of nine years including a 4½-year grace period will apply.

Mr. Orville Walker, deputy general manager of the BNS, who signed on behalf of his company, remarked that the agreement was a significant step forward and promised that the Bank would continue to play its part in trying to keep the respective public corporations on a sound footing.

Mr. Martin Reid, British High Commissioner here, who signed on behalf of his Government, noted that the new loan differed from its predecessors in that it was completely free of interest, and the grace and repayment periods were lengthened to seven and 10 years, respectively, compared to three and seven years in the last agreement.

Mr. Reid was accompanied at the signing by Mr. George Dixon, Deputy High Commissioner. Mr. Audley Sailsman, Director in the Ministry of Finance, and Mr. Dennis Edmunds of the Attorney General's Department, assisted Mr. Seaga. Mr. Don Brice, Permanent Secretary in the Office of the Prime Minister, Mr. John Luke, Technical Aid Officer in the British High Commission, and Mr. Neville Baker, Credit Supervisor with the BNS, also attended.

## Rise in Nontraditional Exports

Kingston THE DAILY GLEANER in English 28 Dec 85 p 3

### [Text]

AN INCREASE OF US\$24.1 MILLION over the corresponding period of last year was recorded by non-traditional exports —notably fresh foods, cocoa products, rum and garments for the period January to September this year, reaching a total of US\$156.5 million.

Fresh foods increased from US\$9.4 million to \$13.2 million; cocoa products rose from \$2.8 million to \$4.9 million; rum went up

from \$6.8 million to \$7.7 million and garments soared from \$21.6 million to \$33.7 million.

These figures were given yesterday by the Deputy Prime Minister, Rt. Hon. Hugh Shearer, in his capacity as Minister of Foreign Trade, as he made his end-of-year review of Jamaica's export trade and of the activities of the Jamaica National Export Corporation.

Highlights of the export year, as set out in the review, were as follows:

A US\$24.1 (18.3%) increase in non-traditional exports for the first three-quarters of 1985 and the registration of 270 new exporters.

Mr. Shearer's Far East mission resulted in a \$58.3 million agreement with four Hong Kong companies to create 8,000 new jobs and expand exports to Europe. 1,250 new workers have already been employed in the Free Zone. In the People's Republic of China, a barter agreement was proposed on the basis of alumina in exchange for rice and perhaps other commodities.

Two million Japanese visited Jamaica's pavilion at Tsukuba and showed positive interest in Jamaican products on display. A Jamaica-Japan Society to promote trade was subsequently formed.

JNEC continued its aggressive export market drive in the USA and exports to the market rose by 54% or US\$23.3 million for the first three quarters of the year.

JNEC's Trade Commissions in the U.S. were strengthened and 11 export promotional events took place in nine States. US\$124.4 million of orders were obtained for 1986.

Strong representations were made by JNEC against U.S. protectionist measures over "Milo" citrus, pumpkin and textiles.

Jamaica's trade relations with Europe were strengthened with the signing of Lome III. J.N.E.C. mounted several promotions in food and alcoholic beverages in Britain and Germany. Rum exports to the U.K. increased by US\$1.1 million. Garment shipments to Europe com-

menced.

While exports to Caricom fell by 25.6% (US\$9.89 million) a new measure of agreement to stabilize Caricom trade relations was arrived at with the progressive implementation of the Nassau Accord, and the signing of a bi-lateral agreement with Trinidad and Tobago. Government continued its commitment to inter-regional trade. In the declining situation the Trade Commissioner's good offices function in Caricom was critical in preserving intra-regional trade.

Jamaica's exports to Canada in the first nine months of 1985 increased by 22% or \$914,000, the main areas of growth being floriculture and food products.

JNEC's subsidiaries — JAMCO and JETCO — performed well, and JETCO achieved sales of \$40 million, 94% of which were to hard currency markets in 23 countries.

A three-year market penetration programme, JAMEXPORT, has been developed.

### Slowing of Economic Decline

Kingston THE SUNDAY GLEANER in English 29 Dec 85 pp 10, 25

[Text] An overview of the performance of the economy during the calendar quarter July to September has been presented in the Quarterly Economic Report of the Planning Institute of Jamaica. The report points to a slowdown in the decline of the economy and gives projections for an improvement in some growth indicators. The Overview states as follows:

The continued increase in electricity usage by both small and large manufacturing establishments (up some 5.2% this quarter over a year ago) together with an upward movement in the index of manufacturing production, suggests that, beyond a measure of stockbuilding, the decline in the economy may be slowing down. This conclusion is supported by other indicators including the unexpected strength in capital goods imports

(up 11.4% over the nine months of the previous year) and the reduction of non-bauxite non-fuel raw materials imports (down 17.3% compared with the corresponding six months of the previous year).

Exports of non-traditionals grew by 7.5% over the previous quarter and by 5.3 percent compared with a year ago. While the levels of tourism arrivals did not achieve the targets set, nonetheless, visitor arrivals grew by 0.2 percent over the corresponding nine months of 1984, despite the bad publicity occasioned by social unrest. Accordingly, the updated projection is an improved position, targetting a range of negative 3 to 5% growth in GDP for calendar 1985 and negative 3 to 4.5% for fiscal 1985/86.

The quarter under review, witnessed a modest improvement in the balance of payments, aided to a significant degree, by a slight real devaluation of the Jamaican dollar which helped in inducing stronger than anticipated private capital inflows. This has more than offset the unexpected deterioration in merchandise exports and net services flowing in the main, from the continued growth in our external debt payments despite the rescheduling effected during the quarter.

The overall deficit on the fiscal accounts for July-September 1985 was \$104.16 million compared with the first fiscal quarter's net deficit of \$492.80 million. However net of amortization, the overall fiscal account was in surplus. The overall deficit of \$596.9 million suggests that the fiscal deficit for the year ending March 1986 should be around the 6.4% target range, given the \$11,800 million level of nominal GDP expected for fiscal 1985/86.

The point-to-point movement in the CPI over the year to September 1985 was 24.0 percent, while measured on an average basis, the CPI increased 27.7 percent. For the quarter under review, the CPI advanced 6.9% measured on an average basis and 5.3% measured point-to-point. These quarterly movements are equivalent on an average basis to an annualised inflation rate of 30.5 percent for 1985 as against the corresponding annualised rate of 48.6 percent in 1984; and 23% for 1985 as against 29.6% for 1984 on a point-to-point basis.

This reduction in the intensity of inflation is in line with our previous judgments appearing in QER, Vol. 2 No. 1. As such, we are expecting calendar 1985 to register CPI point-to-point movement of some 25% while for the fiscal year ending March 1986, we expect the level of inflation to reach the 22% level or below depending on the fiscal or exchange rate movements over the remainder of the fiscal year.

The average exchange rate of the Jamaican dollar for the review quarter was \$5.80, up 5.5% over the \$5.30 registered for the previous quarter, a 5.2% devaluation.

Average domestic credit for the quarter declined \$30 million below the level outstanding for the quarter ending June 1985, while credit disbursed was 7.2% below the level a year ago.

## Money supply

The narrowly defined money supply, M1 currency with the public plus checking accounts, increased 0.8%, down from the 5.1% p.a. for the previous quarter, while M2, the broader measure, grew 3.4%. The Institute estimates that when the deposits of merchant banks and trust companies are included, the money supply, M3, grew by 5.2% for the quarter, i.e. at an annualised rate of 22.5% p.a.

Loan interest rates for the quarter increased by over five percentage points, being 28.7% by the end of September as against 23.5% as of June 30, 1985. Given the level of CPI-inflation expected over the 1985 through 1986 period, loan rates had become significantly positive in real terms by the end of the quarter. On the other hand, deposit rates for the quarter decreased on the average, by one percentage point, implying an escalation in the negativity of real deposit rates for the period and reflecting a continuing distortion in the structure of interest rates.

Imports for the July to September quarter at \$312.3 million were only slightly below the January-March quarter, but 18.8% ahead of the April-June quarter bringing imports for the calendar year to date to \$982.5 million as against \$884.8 million for the corresponding period of 1984, a decline of 0.9%.

The widened merchandise trade gap was, as explained above, partly financed by private capital inflows, a very unpredictable and volatile entity.

The performance of the Agricultural Sector continued to improve, with production of traditional crops (with the exception of citrus and cocoa) increasing. The most significant increase was in the production of copra, while the 1984/85 sugar crop was the best recorded for the last five years.

## Banana exports

Banana exports increased by some 3.7% over the period January-September 1985 compared to the same period in 1984. On the other hand, domestic agricultural production is estimated to have declined by 2.8% below third quarter 1984 continuing the decline evident since the first quarter, partly reflecting the effects of the severe drought but in significant measure reflecting (a) the reaction to the high output and low real increases in farmgate price of 1984 and (b) the continuing contraction in real per capita incomes within the Jamaican economy.

Export performance of bauxite and alumina was mixed with bauxite declining by 34.9 percent to 648.2 thousand tonnes and alumina increasing by 28 percent to 415.1 thousand tonnes compared with the corresponding quarter of 1984. Major highlights in the Mining Sector were the re-opening of the ALCOA plant under a new and temporary Jamaican operation (Clarendon Alumina Production Ltd.) and ALPART's final shipments.

The Manufacturing Sector experienced a mix of increases and declines. Provisional data indicate that the total value of manufactured exports for the third calendar quarter increased by 6.6 percent to US\$41.7 million compared to the same period last year, while a comparison with the previous quarter of 1985,

shows exports increasing by 6.1 percent from US\$39.3 million. The performance of the Textile and Garment sub-sector continued strong, reflecting in the main the US 807 programme, untrammelled by domestic constraints on credit, foreign exchange and managerial expertise. The output of several sub-sectors, particularly in food processing, was below levels reached in the previous quarter.

A review of the Construction and Installation Sector for January-June 1985 indicates that this sector contracted reflecting high interest rates and devaluation-induced increased costs of construction materials. On the other hand, there was expansion in non-residential construction.

Tourism remained stagnant for the quarter registering negative growth compared with the corresponding quarter of 1984. All indicators of performance, visitor arrivals, gross expenditure and occupancy levels, declined. However, for the calendar year to September, total arrivals increased marginally by 0.2 percent to 660,657, masking in a measure the decline in stop-over tourists.

The public sector continued to contract while measures to reorganise the bureaucracy gathered momentum.

## **MACRO ECONOMIC PERFORMANCE**

### **Gross Domestic Product:**

Nominal GDP is expected to reach \$11,784 million by the end of fiscal 85/86, some 20 percent ahead of the level attained for 84/85. Adjustments having been made for price effects, the level of GDP in real terms is posited to fall within the range of \$1,850 million and \$1,888 million at the end of the fiscal year. This means that real growth should fall somewhere within the range of minus 3 percent to minus 4.5 percent, a somewhat less pessimistic projection than that of the previous quarter.

This latest forecast is in line with the original forecast of March 1985, which was subsequently modified to take account of the downturn in the economy during the succeeding quarter. It is based on a number of indicators whose performance has been more favourable than had been expected given the productivity problems of the second quarter.

The index of industrial production moved up 2.5 percentage points to 93.9 during the July to September quarter from a level of 91.4 during the previous quarter. Other coincident indicators moved favourably; non-traditional export agriculture continued to grow while the output and use of electricity by small and large industrial and commercial users increased by over 5 percent.

However, these movements in the indicators have not been strong enough to counter sufficiently the decline in the mining sector occasioned by the fall-out in the bauxite-alumina industry — a prognosis which was foreseen earlier in the year. The negative effects on production, of the industrial action taken during the previous quarter has largely been reversed this quarter. Thus, such improvements as have been noted in the review quarter appear to represent more a return to normality for the year, rather than an absolute increase in the level of output.

## **THE BALANCE OF PAYMENTS AND EXTERNAL TRADE**

There was modest improvement in the balance of payments at the end of the quarter owing primarily to relatively strong inflows of private and official capital. The foreign exchange reserves stood at US\$5.9 million which represents a return to a surplus position as against the US\$12 million deficit on this account at the end of the previous quarter. Notwithstanding this favourable outcome, there was a widening of the unfavourable trade gap which stood at minus \$179.8 million and an adverse balance in net service payments amounting to US\$1 million.

The combination of a wide trade gap (Exports, US\$132.5 million; Imports, US\$312.3 million) together with negative net earnings from Services increased the deficit on the Current Account to US\$146.8 million -- a deterioration of 92 percent compared with the corresponding quarter of 1984 and more than twice that of the previous quarter. The reduction in export earnings was largely associated with the fall-out in the bauxite/alumina sector without any major compensating growth, their weight in total exports has not yet reached the point of taking up the slack created by the dramatic fall in bauxite earnings.

Inflows from foreign travel (invisible exports) on the other hand, contributed US\$95 million (of total receipts of US\$191 million from the Services Account). This is an encouraging development as despite lower visitor arrivals than targeted, the returns from tourism reflect reduced leakage from the sector. Net official capital inflows of US\$47.9 million increased over the preceding quarter by 91 percent; however, they were well below programmed levels for the quarter thus precipitating technical breach of one of the programme targets agreed with the IMF.

## **FISCAL ACCOUNTS:**

The Government's fiscal accounts for the second quarter of fiscal 1985/86 generated a surplus (net of amortization) of \$0.37 million. This represents a substantial turn-around compared with the first quarter's net deficit of \$391.89 million. If this performance is sustained through the remaining months of the fiscal year, it is highly probable that the targeted deficit to GDP ratio of 6.4% (based on an estimated GDP of \$11,800 million) will be achieved.

## **MONEY, CREDIT AND FINANCIAL MARKETS:**

The monetary policy of the government continued to be targeted, among other things, on containing aggregate demand, moderating the rate of inflation, generating savings and selective investment and buttressing the external accounts.

In line with these objectives, restrictive credit policy continued to be pursued: average domestic credit declined by 0.3 percent (approximately \$30 million) below the level outstanding in June 1985 and 7.15 percent below the comparable period of 1984. Domestic credit to the public sector declined 0.3 percent while credit to the private sector increased marginally by 0.01 percent.

The narrow money supply aggregate, M1, (currency with the public plus demand deposits) increased by 0.8 percent compared with a rate of increase of

5.1 percent during the previous quarter. There was tight control also over the rate of growth of the broader money supply measure, M2 (that is M1 plus time and savings deposits) which increased by 3.4 percent above the second quarter, while an even broader measure of monetary liquidity, M3, (that is M2 plus deposits with trust companies and merchant banks) advanced 5.2 percent over the second quarter.

Real lending rates recorded positive gains, removing somewhat the implicit subsidy traditionally given by savers to borrowers during periods of sustained inflation, while real deposit rates remained negative. The prime lending rate remained at 23 percent while the overall average weighted loan rate increased from 23.4 percent in June 1985 to 28.7 percent at the end of September.

The cash reserve ratio of commercial banks was increased from 17 to 19 percent in June, to 20 percent in July. In addition, effective 30/9/85, increases in commercial bank credit to the private sector were restricted to 2 percent of the level outstanding at March 31, 1985. It is planned to remove the overall ceiling on private sector credit (effective 4/10/85) for commercial banks and institutions operating under the Protection of Depositors' Act.

Other monetary measures to achieve the objective of protecting the exchange rate and balance of payments targets included increasing the liquid assets ratio of merchant banks, trust companies and finance houses from the 15 to 20 percent prevailing in June to 21 percent in October, and 23 percent in November.

The Jamaican dollar moved from an average exchange rate of \$5.53 to the U.S. dollar in the previous quarter to \$5.80 in the review quarter (a depreciation of some 5.5 percent compared with the previous quarter and 13.5 percent for the calendar year to September).

## **INFLATION:**

Based on the movement in consumer prices for the first nine months of the year, it is expected that the rate of inflation will be moderated somewhat to between 22 and 25 percent in calendar 1985 as against 27.8 percent (actual) in 1984. For fiscal 1985/86, the rate is expected to be at most 22 percent.

According to the Statistical Institute, the All Jamaica All Items Index for September, 1985 was 658.8 compared with 625.3 at June 1985 and 531.3 at September, 1984. Price movements were relatively mild during the July-September quarter (up 6.9% on average, and 5.2% point-to-point compared with June 1985) as they represent an annualised inflation rate of 30.5 percent as against 48.6 percent in 1984 (the corresponding annualised point-to-point rate being 23 percent as against 29.6 percent).

At the regional level, the highest over-all increase in prices for the quarter occurred in the "Rural Area" where the Average All Items Index advanced some 7.9 percent closely followed by "Other Towns" with 7.4 percent.

## **SECTORAL PERFORMANCE**

### **Agriculture:**

The Agricultural Sector showed some improvement in output during the third quarter. With the exception of citrus and cocoa, the production of traditional crops increased over the corresponding 1984 period. Most significant was the increase in copra output (up 57.6 over January-September 1984), sugar production (the best in five years), banana exports (up 3.7% compared with the first nine months of the previous year), coffee deliveries (up 10 percent) and exports of fermented cocoa (up 21% for the 1984/85 crop year).

The volume of domestic agriculture is estimated to have sustained a 2.8 percent decline during the third quarter owing to drought conditions



primarily. On the other hand, exports of non-traditional crops (mostly crops designated as domestic agriculture) increased by 37.9 percent by volume for the period January to May 1985 compared with the similar period in 1984. Most farmgate prices showed strong price increases both for the quarter and the year to date.

Substantial new investments were made under the Food Sufficiency and Crop Diversification Programmes of Agro-21 Corporation Limited. These are expected to result in expanding the export of non-traditionals as well as providing substitutes for certain staple imports like rice, corn, fish and soya.

### **Bauxite and Alumina:**

Production and export data reflect the downturn in the industry occasioned by declining world demand for the end product, aluminium. Exports of bauxite declined by 34.9 percent to 646.2 thousand tonnes compared with third quarter 1984. However, export of alumina rose by 28 percent to 415.1 thousand tonnes. Nonetheless, the nine months saw export declines of 55 percent and 3.5 percent in bauxite and alumina respectively.

The task of adjustment of the local industry to the external shocks has begun to take shape. ALCAN has been trimming its production force (following the closure of Reynolds and ALPART) while the new Jamaican company (Clarendon Alumina Production Limited) which has taken over the operations of ALCOA has been shipping metal to new market outlets in Europe. The entire economy has been affected by the downturn in the industry and steps are being taken to strengthen the tourism, agriculture and manufacturing sectors in order that they might absorb as much of the work force formerly employed in the industry.

### **Manufacturing and processing:**

The Manufacturing Index for 1985 continues to run some 8.6% ahead of the average level attained for 1984, while the more all inclusive index, the Index of Industrial Production (IPI) which includes mining and energy reflect a 3.6% average of elevation over that for the first three quarters of 1984.

Quarter to quarter movements of the Manufacturing Production Index for 1985 have been somewhat distorted by the general strike of the last week of June, but allowing for the possibility that lost production was made up during the July to September quarter, indications are that the trend level of production for April to September should be down some 1.8% over the first calendar quarter, despite the actual resurgence of the third quarter which advanced, before correction, 4.9% ahead of the similar index for the 2nd calendar quarter.

Provisional data supplied by the Statistical Institute indicate that the value of exports of manufactured commodities increased by 6.6 percent to US\$41.7 million compared with the corresponding third quarter last year and by 6.1% compared with the previous quarter.

Based on available data for the quarter, two of the five sub-sectors registered positive growth. Beverages and Tobacco by 35% and Chemical Products by 2%. Output of tyres and tubes rose 16.6 percent reflecting a planned build-up of inventories. Conversely, there was an aggregate decline in Food Processing, which fell 35 percent compared with the corresponding period of 1984. Products in this group which registered growth were flour, and edible oils and fats growing by 35% and 6% respectively. Sugar production fell 19%, reflecting a seasonal shift in production for the quarter despite an increase output of 8.6% for the crop year.

## **Construction and installation:**

The most buoyant areas of the Construction and Installation Sector during the first six months of the year for which firm data are available were those related to factory building, refurbishing of buildings (including hotels) and installation by the utilities. The JIDC's national factory building programme has resulted in some 140,000 square feet being completed. The production of two major construction materials, cement and steel, increased by 0.23 percent and 13.4 percent respectively, compared with the first half of 1984, while cement sales increased by 52 percent. In the residential construction sub-sector, however, the number of housing starts declined by 78 percent; but the number of houses completed rose by 1.6% to 494.

A major factor in the sluggishness of housing construction has been high interest rates and affordability. To address this problem the Ministry of Construction has been utilising alternative lower cost construction technology to erect houses for its target groups. Approximately, one-third of its housing units are marketed through Caribbean Housing Finance Corporation, which offers to low income earners, lower interest rates, ranging from 6%-10%, together with a graduated mortgage repayment plan. Another initiative involves the Building Research Institute which has developed prototypes to reduce the cost of construction through the application of lower cost technology and the use of alternative building materials.

The National Housing Trust's disbursements for housing mortgages rose by 110% while commercial bank loans to the sector for construction, land development and acquisition rose by some 4%. However, the value of mortgages advanced by the Building Societies was down by some 16.5 percent.

Expenditure on installation for the third quarter increased by 14 percent compared with the corresponding period in 1984.

## **Tourism:**

The quarter was again characterised by efforts to improve Jamaica's image as a desirable tourist destination in the overseas market, reduce the impact of the unfavourable publicity abroad which reduced the expected record inflows of tourist arrivals during the early part of the year and improve the tourism product. Among the measures taken to achieve these objectives were (a) increased investment in tourism development during the period and (b) increased emphasis on the training of tourism personnel and the upgrading of the Courtesy Corps intended to assist in reducing the incidence of visitor harassment.

## **Electricity:**

Public electricity generation by the Jamaica Public Service Company (JPSCo) and private electricity generation by the bauxite and cement companies during the third quarter increased by 1.9 percent to 373.16 thousand megawatt hours (mwh) compared with the corresponding quarter of 1984. For the nine months to September, this group generated 1,083.9 thousand mwh as against 1,086.2 thousand mwh.

Third quarter sales of electricity by the JPSCo increased by 1.4 percent to 297.3 thousand mwh but declined by 0.2 percent to 866.9 thousand mwh over the nine months to September. The decline was attributed to residential consumers bent on conservation in the face of rising costs. On the other hand, the remaining categories increased consumption; large industrial and commercial (up 6.6 percent to 40.3 thousand mwh), small industrial and commercial and industrial (up 14.3 percent to 78.2¢/kwh), small commercial and industrial (up 18.8 percent to 55.7 cents) and other consumers (up 9.6 percent to 70.5 cents). The existing rate structure is being reviewed through a study which is to be completed in March 1986.

## Energy:

Imports of petroleum and petroleum products for the third quarter declined by 25.1% below the corresponding quarter of 1984. This is accounted for by reduction in fuel usage by the bauxite companies (43% below the corresponding quarter of 1984) and reduction in the consumption of refined products as a result of increased conservation measures and fuel price increases. Exports of lubricants and related materials for the quarter increased by 25% (US\$1.5 million) over the previous quarter earning the country valuable foreign exchange.

## Fall in Value of Exports

Kingston THE DAILY GLEANER in English 30 Dec 85 pp 1, 3

[Text]

There has been a 20 per cent fall in the value of exports (in U.S. dollar terms) for the first nine months of 1985 compared to the corresponding period in 1984.

The fall in exports from US\$570 million in 1984 to US\$456 during the period under review in 1985 was largely responsible for the widening of the current account deficit from US\$209.5 million from January to September 1984 to US\$308.8 million during the corresponding period in 1985.

The information is revealed in the latest Bank of Jamaica report covering the period January to September 1985. The report saw the first nine months as having mixed blessings for the Jamaican economy.

Looking at the external sector, the BOJ review said that the balance of payments recorded an overall surplus of US\$107.2 million, for the first nine months, as against the larger surplus of US\$118.2 million in the corresponding period of 1984.

The surplus was attributable in part to an increase in the net capital inflows of 1985 over 1984 — moving from US\$327.7 to US\$416 million. The improvement in the capital inflows reflected the impact of the tight monetary policy and the behaviour of the exchange rate over the period, according to the report.

However, while there was this increase in the net capital inflow, this

was counter-balanced by another aspect of the balance of payments — the current account — which showed a widening deficit over last year: US\$308.8 million, compared to US\$209.5 during January to September of 1984.

But it was more specifically the trade deficit that was a significant component of the overall current account deficit. Hence, total imports from January to September 1985 were valued at US\$892.5 million, a reduction of US\$7.7 million or 0.9 per cent below the comparable 1984 level. But again this reduction was more than counter-balanced by a 20 per cent fall in exports — a fall of US\$114.3 million, to value US\$456 million and resulting in the trade deficit of US\$436.5 million.

The two major causes for the reduction in exports were bauxite/alumina, and sugar which had a combined loss to the trade account of US\$135.8 million for alumina/bauxite, and US\$20.1 million for sugar. Depression persisted in the bauxite/alumina industry, the report pointed out.

Exports to Caricom declined by US\$9.3 million or 23.9 per cent; imports from Caricom, on the other hand were US\$10.5 million, or 33.4 per cent lower than the 1984 level.

On the positive side, exports of non-traditional goods registered a US\$21.7 million increase in value, and the value of banana doubled from US\$1.028 million to US\$2.197 million.

Additionally, the increase in the consumer prices (which measures the rate of inflation) showed a distinct decline. For example, between December 1983 and September 1984, there was a 27.9 per cent increase in prices; between December 1984, and September 1985, the increase was 20.9 per cent.

## Curbs on Illegal Imports

Kingston THE DAILY GLEANER in English 8 Jan 86 p 1

[Text]

New procedures to curb illegal importation of goods and protecting the revenue were announced in Parliament yesterday by Prime Minister Edward Seaga.

The Prime Minister said that the new system provided for inspection of all shipments of goods in excess of US\$5,000 value at the point of origin, so as to ensure that the contents are exactly invoiced and the prices listed on the invoice are neither too high or too low.

Mr. Seaga said: "It is well recognised that both under-invoicing of imports to escape import duties, and over-invoicing as a means of illegally exporting foreign exchange, are widespread practices in Jamaica which impact on both revenue and foreign exchange collections.

"The new system of pre-shipment is well established in many countries of the world and Government has contracted the services of Societe Generale de Surveillance S.A. (SGS), the leader in the field, a Swiss Company which operates in more than 140 countries through 132 affiliated companies."

The new procedure, which becomes applicable to all import orders made on or after January 27, requires importers to advise the Revenue Board of their intention to import. SGS will be notified by telex immediately and will arrange with the supplier to be present at the time of packaging to inspect goods. Because of SGS's worldwide operations no delays are expected resulting from the new arrangements, he said.

No import with value exceeding US\$5,000, unless otherwise exempted, which is ordered on or after January 27, will be permitted into the country, except for emergencies without a certificate from SGS indicating a "clean report of findings" which establishes that an inspection has been carried out and pricing and quantity checks have been done, and any adjustments required made, he said.

Mr. Seaga said that the success of SGS in improving the revenue and foreign exchange collections was well established in the countries in which they operated.

## 1985 Trade Gap

FL230400 Kingston THE DAILY GLEANER in English 14 Jan 86 pp 1, 3

[Text] The adverse trade balance deteriorated by U.S. \$96.4 million for the ten months ending October 1985, compared with that of 1984. For the ten months of 1985, the trade deficit amounted to U.S. \$475.2 million, compared with U.S. \$378.8 million in the same period of 1984.

Although imports decreased by 2.3 percent to U.S. \$970.7 million for the period, the trade deficit worsened as a result of the substantial fall-off in total exports. For the ten months, total exports declined by U.S. \$119.5 million, to U.S. \$495.5 million, a fall of 19.4 percent.

This information is contained in the October 1985 external trade statistical bulletin published by the Statistical Institute of Jamaica.

Importation figures for the categories "consumer goods," "raw materials" and "capital goods" for January to October 1984 and 1985 reflected an increase as well as decreases. "Capital goods" with imports valuing U.S. \$252.3 million showed a 6.6 percent increase over the January to October 1984 value. The increase of U.S. \$14.8 million in "transport equipment" for January to October 1985 as against that for the same period in 1984 was primarily responsible for the increase in this category.

For the category "raw materials," importation figures reflected a decrease of 5.3 percent--the value for January to October 1985 being U.S. 587.9 million as compared to U.S. \$621.1 million for the January to October 1984 period. All sub-categories except fuel (which increased by U.S. \$15.5 million) registered declines. "Consumer goods" imports for the period amounted to U.S. \$130.4 million, U.S. \$5.6 million less than the comparative figure of 1984.

The main contributors to the decline of 28.6 percent in the export of traditional goods over the January to October 1985 period was bauxite and alumina; non-traditional exports registered a 6.3 percent increase over this period.

For the month of October, imports were valued at U.S. \$81.9 million while exports for the same month totalled U.S. \$39.5 million.

Trade with the Caricom region maintained its declining trend. Imports for the period January to October 1985 were valued at U.S. \$29.1 million, a decline of U.S. \$3.5 million over the comparative 1984 period. Exports for January to October 1985 totalled U.S. \$43.6 million, a 33.2 percent decline.

/9274

CSO: 3298/285

## TAX ISSUES REMAIN FOCUS OF BROAD ATTENTION

## Revenue, Deficit Status

Kingston THE DAILY GLEANER in English 30 Dec 85 pp 1, 3

[Text]

**T**HERE WAS A 33 PER CENT INCREASE in the tax revenue — the Government's main source of revenue — during the period April to September of this year, as against the corresponding period in 1984, but despite this, the budget deficit widened compared with the previous year.

Tax receipts for January to September 1985 were J\$1,193 million as against J\$896 from April to September 1984, a situation the bank describes as the "positive results" of the new tax measures introduced early in the fiscal year.

The new measures include, an increase in stamp duty of 10 per cent on imported raw material; 20 per cent on imported capital goods; and 30 per cent on imported consumer goods. This information is contained in the latest Bank of Jamaica report on the progress of the economy between January and September 1985.

However, the total revenue for April to September of 1985 was 18.2 per cent over the same period last year. The total revenue consists of tax revenue; non-tax revenue which was J\$110 million in 1985 and J\$63 million in 1984; and capital development fund transfer which amounted to J\$27 million in 1985, in contrast to J\$166 million in 1984. Hence total revenue stood at J\$1,330 million in 1985, compared to J\$1,125 million in 1984.

However, despite the increase in the tax take, the increase in the

government expenditure by 20.1 per cent resulted in yet an increase in the overall budget deficit (both current and capital accounts) to the sum of J\$101 million — moving from a deficit of J\$395 in 1984, as against J\$496 in 1985.

The deficit was financed mainly through foreign loans (J\$203 million) and domestic sources (J\$293 million).

The large increase in the tax take has come at a time when the Government is contemplating a change in the tax structure with the two fold purpose of increasing in the long run the tax take, and creating a more equitable tax system.

The situation with the national debt was also outlined, and showed a movement from J\$5,991.3 million in gross domestic debt at the end of September 1984, to J\$6,805.3 million at the end of September 1985.

The gross external debt also showed upward movement — now US\$3,311.8 million as against

US\$3,198.7 million at the end of September 1984.

"During the review quarter," argued the BOJ, "growth was recorded in both the government direct and government guaranteed components which accounted for 55.2 per cent and 9.74 per cent, respectively, of total external debt at the end of the period."

"However, the external liabilities of the central bank declined during the quarter. This serves to partly offset the overall increase in external indebtedness, restricting it to a marginal US\$1.3 million over the period."

Commenting on developments in the real sector, the review blamed the negative growth in this sector on high interest rates, inadequate foreign exchange, and lower levels of consumer demand which itself reflected reductions in real disposable income.

It identified for example, the 1984/85 sugar crop which failed to attain the targeted 210 thousand tons. The review added that the future for sugar still remained dim with the reductions in the United States' sugar quota arrangements which should impact on Jamaica's allocation. Other factors which would adversely affect sugar production, were high cost of credit financing, and uncertainty surrounding the continued operation of several public sector factories.

For construction, there were mixed signals, for whereas there was

a 6.4 negative growth in cement production, there was a 7.9 per cent positive growth in the use of steel. "Output of essential building material, cement and steel, reflected the general depressed state of the construction sector which has been adversely affected by high building costs and mortgage rates."

The same was true for certain key items in the manufacturing industry, where output fell, this situation again being blamed on high interest rates, foreign exchange constraints, and lower levels of consumer demand.

One notable exemption from the bank's report was detailed information on the movement in the employment/unemployment figure for the period. The report stated however that conditions in the labour market were "relatively stable" despite "further adjustments in the level of public sector employment."

It identified specific cases like, the closure of Alpart and the consequent loss of 700 jobs; the subsequent opening of Clarendon Alumina Productions Ltd. (CAP), with the potential for 800 jobs; and the employment of 9,620 individuals under the 907 garment programme.

### Interim Tax Changes

Kingston THE DAILY GLEANER in English 8 Jan 86 pp 1, 3

[Text]

## DRINKS, CIGARETTES, AND OVERSEAS TRAVEL will cost more from today in an interim \$73.5 million tax package announced in Parliament yesterday by Prime Minister Edward Seaga.

Designed to compensate for projected reductions in bauxite/alumina earnings this financial year, the Prime Minister told the House of Representatives the package represented a significant part of the tax package that would normally be introduced later this year.

The package introduces a new \$2,000 per annum tax on television satellite "dishes"; marks the introduction of non-transferable motor vehicle registration plates at \$250 per pair; and slaps a new 10% tax on telephone and telex services.

The exemption from Customs, Consumption and Stamp Duties and Income Tax enjoyed by Public Enterprises are to be removed in the case of 20 public enterprises including National Hotel and Properties Limited (NHP), the Jamaica Broadcasting Corporation (JBC), Air Jamaica, the Jamaica Railway Corporation (JRC), JAMINTEL, the Petroleum Corporation of Jamaica (PETRO-JAM) and the Jamaica Commodity Trading Company Limited (JCTC).

Mr. Seaga announced the new measures in a statement to Parliament which preceded his tabling of Ministry Paper Number Two entitled

"Further Revenue Measures 1985/86" and which detailed the new measures.

Likely new retail prices for consumers items listed in the appendix to the Ministry Paper were as follows:

- Cigarettes to move from \$5.50 to \$6 per 20-pack.

- White Overproof Rum to move from \$1.05 to \$1.12 per drink.

- Underproof Rum (e.g. Appleton Estate Special) to move from \$1.07 to \$1.15 per drink.

- Beers — Red Stripe to move from \$2.20 to \$2.30 per bottle, Heineken from \$3 to \$3.10 per bottle.

- Stouts — Dragon from \$2.20 to \$2.30 per bottle and Guinness from \$3.20 per bottle to \$3.30 per bottle.

- Aerated waters (12-ounce bottles) from \$1.50 to \$1.60-\$1.65 per bottle.

Other tax measures listed were:

- Travel Tax (other than cruise passenger) to be moved from \$20 to \$40.

- Stamp Duty on Travel Tickets to be increased as follows: for fares not exceeding \$50, the duty will be increased from \$10 to \$30; for fares up to \$100, a duty of \$40; and, for fares exceeding \$100, a duty of \$50.

- The Telephone Service Tax to be introduced will be 10% for both local and international calls and telex messages.

- An annual licence fee on television "dishes" of \$2,000 per year is also to be introduced.

Increases on the taxes on alcoholic beverages, cigarettes, aerated waters, telex and telephone services, Travel Tax and the Stamp Duty on travel tickets will become effective from today. The measures affecting the other items will come into effect not later than February, 1986.

The estimated yields from the measures were listed as follows: consumption duty on alcoholic beverages, cigarettes and aerated waters — \$6 million; annual fee for "dishes" — \$7 million; telephone and telex — \$6 million; Travel Tax — \$5 million; Stamp Duty on Travel Tickets — \$1.5 million; removal of exemptions for Public Enterprises — \$18 million. The non-tax revenue from the motor vehicle licence plates — \$30 million.

Mr. Seaga in his statement said that since 1980, bauxite/alumina

earnings had been reduced by US\$1,700 million or J\$9,300 million as compared with the level of earnings that would have materialised had there been no world recession over the past few years.

He said that, unfortunately, the market had still not stabilised and that had resulted in a further projected reduction of earnings of US\$51 million in this financial year.

"In order to compensate for this further reduction, a significant part of the tax package which would normally be introduced later in the year has to be brought forward for introduction now," Mr. Seaga said.

He said that the package totalled \$73.5 million and that it should be observed that with the exception of beer, cigarettes and rum, and to some extent telephone calls, it avoided any increase of revenue from consumer goods and to that extent price increases in that sensitive area.

The full list of companies to be removed from exemption from duties and taxes read: Airports Authority of Jamaica, Air Jamaica, JBC, JCTC, Jamaica Development Bank (JDB), JAMINTEL, Jamaica Merchant Marine, Jamaica Mortgage Bank, National Investment Bank of Jamaica, JRC, NHP, NHT, National Housing Cor-

poration, Jamaica Sugar Holdings, PETROJAM, Port Authority, Sugar Industry Authority, Urban Development Corporation (UDC), Agricultural Credit Bank of Jamaica and National Development Bank of Jamaica.

The Ministry Paper said that the increases in Consumption Duty on alcoholic beverages and cigarettes represented the lowest levels imposed in recent years, were intended to increase the effective rates of duty by 10%, should have only minimal effect on retail prices and were not expected to create any reduction in demand.

On the new annual tax on television "dishes", it said that the measure represented the first step towards the identification of those devices and the examination of the problems associated with their usage in contravention of copyright laws. A differential licence fee will be charged on "dishes" installed in places of pleasure or multi-residential buildings.

With regard to the removal of the tax exemptions for Public Enterprises, the Ministry Paper said that many of them enjoyed substantial freedom from taxation, but under Government's stabilization programme selected enterprises would be required to bear their share of the the taxation burden.

### Effect of New Measures

Kingston THE DAILY GLEANER in English 8 Jan 86 p 1

#### [Text]

The new tax measures announced in Parliament yesterday are estimated to yield to Government approximately \$200 million annually. Between now and March 31, 1986, three months, the new measures will yield \$73.5 million of which \$30 million is a one-time tax for non-transferable Motor Vehicle Registration plates.

The new taxes have increased the prices of commodities such as Cigarettes, Rum, Beer, Stout and Aerated Waters.

Additional tax increases on services were also imposed. The Travel Tax has been increased by 100 percent. The stamp duty on travel tickets has been increased by between two thirds and 200 percent. A new tax of 10 percent on all local and

overseas telephone calls and telex messages has been established. A new Licence Fee has been imposed on T.V. "dishes" of \$2,000 per dish, and a new non-transferable Motor Vehicle Registration plates are to be sold between now and the end of March at \$250 per pair.

Prime Minister Seaga also announced the removal of tax exemptions from many public enterprises and statutory organisations who now enjoy substantial freedom from taxation. The twenty selected enterprises will now be required to pay import duties and income tax. These new taxes amounting to \$18 million for the quarter ending March 31, 1986 will ultimately have an effect on the prices these enterprises charge for their products and or services. Included in the list of 20 are Air Jamaica Ltd., Jamaica Commodity Trading Co. Ltd.; National Housing

Trust; Agricultural Credit Bank of Jamaica Ltd. and National Development Bank of Ja. Ltd.

**A COMMENT:** The new tax package will impact on both the poor and the rich. The taxes on commodities will impose a further burden on the lower and middle class. To that extent they are a regressive tax purely for revenue purposes.

The taxes on services will impact more on the middle and upper classes. To that extent they are a progressive tax. The new taxes on public enterprises which on an annualised basis could achieve over \$80 million may have a significant price effect on the products and services provided by those enterprises.

On balance the new taxes are inflationary. They will have the greatest impact on the standard of living of the middle and lower classes.



## Manley Criticism

FL142120 Bridgetown CANA in English 1446 GMT 14 Jan 86

[Text] Kingston, 14 Jan (CANA)--Leader of the main opposition People's National Party (PNP), Michael Manley, has rejected government's contention that its latest tax package was necessary to off-set the fall in bauxite earnings, declaring it was more a backlash from the administration's policies of devaluation and import liberalization.

Last week, Prime Minister Edward Seaga presented Parliament with the tax measures aimed at raising J73.5 million dollars in the last quarter of the current fiscal year. Analysts say the package will net nearly J200 million dollars annually.

Seaga said he had brought the package ahead of his budget because of a U.S. 50 million dollar loss in bauxite earnings in 1985 and the need to close fiscal gaps.

But Manley told reporters: the plain fact is that the twin policies of devaluation and import liberalization have wrecked the economy, with the people being asked to pay the price.

Devaluation has not only pushed up the cost of living, doubling it over the three-year period 1983-85, but has moved debt servicing requirements to nearly 50 percent of total expenditure, added the former prime minister. Hence, the new taxes are not being used to finance either investment or services but rather to pay increased debt servicing needs, resulting from devaluation, he said.

Manley argued that the situation was exacerbated by the import policy which allowed the trade deficit to run at over US 500 million dollars a year, causing a vast hemorrhaging of foreign exchange that forced the government deeper into debt.

The first 10 months of 1985, Jamaica's trade gap was 475.2 million dollars, 96.4 million dollars worse than the corresponding period in 1984.

The government's refusal to control the trade deficit continues to create havoc on the economy, Manley declared, adding that during the first nine months of last year raw material imports had declined 14.2 percent while consumer durables increased 27 percent.

He questioned the correctness of this trend in an economy that was under-producing, saying that even domestic food production was down while food imports were also down.

The only conclusion is that people are eating less and this is not part of a national voluntary diet, Manley said. The danger of widespread malnutrition grows daily as households are forced to cut back on even the most basic necessities.

Manley said that at the start of the 1985-86 budget year the government had introduced additional stamp duties on raw materials, capital and consumer goods to off-set losses in bauxite earnings and that the administration had promised there would be no need for further taxation in fiscal 1985-86.

It had showed contempt for the people with the new measures, that had pushed up the costs of liquor, cigarettes, soft drinks, and international and local telecommunications and removed duty exemptions on 20 state firms.

Said Manley, All these new taxes will combine to contribute to an overall reduction on demand for goods and services in the economy, as there is just no further fat or muscle to cut from the budget of the average household. We are down to the bone.

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CSO: 3298/285

## CARL STONE DISPUTES DIRE FORECASTS CIRCULATED IN U.S.

## Blast at TV Reporting

Kingston THE DAILY GLEANER in English 6 Jan 86 p 8

[Article by Carl Stone]

[Text]

JAMAICA is one of those remarkable countries where a high level of political management has served to maintain stability in a context in which many have been forecasting political turmoil, unrest and instability.

The much talked about CNN news forecast of political turmoil in Jamaica for 1986 will be just another casualty among a long list of similar phony journalistic and academic reports on Jamaica which have misread our politics and have underestimated our capacity for crisis management.

To be sure, the CNN news report continues to be a mystery as the report bears no relationship to the risk analysis of Jamaica carried out for Frost and Sullivan in October 1985 by a Jamaican political scientist (who I will spare the embarrassment of naming).

The Frost and Sullivan risk analysis on Jamaica makes a five year forecast and does not in fact make any prediction about turmoil in 1986. What the report suggests is that the low popularity of the JLP regime combined with the impact of failed economic policies will set the stage for increased political unrest and violence during the remainder of the JLP term of office between 1985 and 1988.

According to the author of the report "The PNP boycott of the last

election has deprived the Seaga regime of any claims to popular support. It (meaning the Seaga regime) will continue to face organized protests, strikes, and demonstrations aimed at underlining its alleged illegitimacy and its economic policy failures. "In another section it says "the economy will continue to decline and civil turmoil, including violence will increase."

## Vagueness

Precisely what forms such violence and protests might take, the likely impact on the country and which factions might be involved were never clarified. The vagueness of the commentary lends itself to misrepresentation by the mischievous.

None of this can justify the CNN report which links Jamaica with major troublespots such as South Africa, Lebanon, Central America and the Phillipines where terrorism, political unrest and large-scale political violence have become the norm. The news report misrepresents and distorts the Frost and Sullivan risk analysis on Jamaica. The Jamaican political scientist who wrote this report should demand a public apology from CNN for endangering his professional reputation. Frost and Sullivan have some serious questions to answer about their facilitating this gross and crude misrepresentation of their risk report on Jamaica without even a whimper of protest.

Similar dire predictions about political violence here were made for 1985. As I wrote in my review of 1985 in the *Gleaner's 1985 Annual* "These gas price protests, it was thought, were ushering in a turbulent and crisis-laden 1985. The foreign press painted a picture of political anarchy in Jamaica. The tourist industry was battered and the government was visibly shaken. Some predicted that there was more to come and that 1985 was just the beginning."

The forecasts turned out to be quite wrong as stability triumphed in 1985 as it is just as likely to triumph in 1986.

The risk report itself left a lot to be desired in terms of the adequacy with which the country's political system was assessed. Like so many journalistic accounts of our politics which miss the key variables, this report was both misleading and superficial.

## No reference

It made no reference to the major issue of electoral matters which lie at the centre of JLP-PNP power contentions. It made no reference to the rate of exchange for the Jamaica dollar which is the central factor with the force to trigger protest action in response to price increases as occurred in January 1985. It made no reference to the impact and result of the 1985 general strike which left the island's major trade unions demoralised, immobilised and with an enormous credibility problem among wage workers.

The stabilising of the dollar, the JLP-PNP agreement over local government boundaries and the immobilisation of the trade unions made it most unlikely that there would have been a repeat of the 1985 gas price protests. In the face of these developments the risk report author ought to have updated his analysis, particularly since it was decided by Frost and Sullivan to publish the reports in the CNN news network. No large scale protest action is likely to occur here unless it is sanctioned and organised by the major political interests in the country (PNP, JLP, trade

unions etc.) The major issues over which such efforts would be organised have been defused for the time being.

There was no assessment of the main political tendencies in the country, the political mood of the people and their reactions to the increasing trend of economic and social hardships.

What ought to have been news for CNN was the quietude, calm, stability and peaceful climate of the 1985 Christmas here in Jamaica which contrasted sharply with the Frost and Sullivan forecast for turmoil and that there was every reason for tourists to discount and ignore those warning signals. Even the criminals were in short supply over the December and early January period.

To have published this distorted and grossly exaggerated misrepresentation of the Frost and Sullivan report at a sensitive early period of the country's tourist season when the country is experiencing calm and stability is a clear and obvious act of economic sabotage designed to create a self-fulfilling prophesy. By scaring away tourists the government's ability to hold the dollar at the present rate could be jeopardised. If the dollar begins to slide again the prospects for political and social unrest increase.

What I can't understand is why and how Frost and Sullivan allowed themselves to get into bed with this kind of conspiratorial journalism that is obviously packaged to destabilise our economy.

Having blown up and exaggerated the gas price disturbances last year CNN obviously feels that a report of bad news about Jamaica is good material with which to attempt to justify last year's hysterical accounts of what took place here in the January disturbances. Is it any wonder that many irresponsible western journalists who trade on sensationalism, lies and dramatic fabrications?

## Vulgar

The attempt to associate Jamaica with countries where terrorism is rampant is a vulgar piece of disinformation akin to the various media distortions in the 1970's which gave a false

picture of what was happening here at that time.

Forecasting is not a simple exercise. Forecasting economic trends is much easier than forecasting political trends. Events and their meaning have to be understood with reference to a country's political traditions and its power groups and how they handle power and dissent.

The hundreds of foreign journalists who come here year after year and broadcast and write about Jamaica have (with a few exceptions) failed to understand our politics. This is because they have not taken the trouble to set aside their misguided stereotypes about countries like ours. Nor have they made the intellectual effort to learn a little from those of us who have spent many years researching, analysing and writing about the country's politics. Because they consider us to be underdeveloped, they have difficulty coming to terms with the fact that our politics is very sophisticated and demands complex in-depth analysis to really understand it beyond the superficialities of the stereotypes that preoccupy the media.

They continue to look for simple answers in a context where the answers have never been simple. They cannot understand how our political leaders have such depth of support among the poorest communities and how their political machines thrive in periods of extreme economic hardships. They fail to grasp either the strength of our political traditions or the toughness and guile of our political leaders all of whom understand that not even the WPJ has anything to gain from "mashing up" Jamaica.

## Waste of time

As the old saying goes "one man's meat is another man's poison." Inviting CNN to come to Jamaica to report the truth is a waste of time. CNN is not interested in good news about Jamaica or any other Third World country for that matter. Their news networks thrive on telling their people how unstable, savage, barbaric and violent are the non-white nations of the world. If it takes some lies and distortions to achieve that objective they don't care.

But if I were the author of that Frost and Sullivan report both CNN

and Frost and Sullivan would have to answer a serious law suit in court for exposing the author to public ridicule and for jeopardising his professional standing by the gross distortions and the misrepresentation of his risk analysis report on Jamaica.

## Industrial Relations Situation

Kingston THE DAILY GLEANER in English 8 Jan 86 p 8

[Article by Carl Stone]

[Text]

One of the more puzzling and obviously unreliable sections of the October 1985 Frost and Sullivan risk analysis on Jamaica was the projection for increased industrial unrest as part of the heightened climate of political turmoil predicted for the country.

The prediction is completely out of character with strike trends since the Seaga government came to power. Further, the author fails to tell us precisely why these trends are going to change so drastically and what underlying factors are likely to account for the deviation.

I suspect that my political science colleague who authored this report never took the trouble to familiarise himself with the existing data on strike incidence in Jamaica and was probably misled by the General Strike. Emotional and panic over-reactions to the General Strike gave the false impression that Jamaica was entering into a period of industrial turbulence when in fact 1985 was comparatively speaking a year of industrial peace.

Let's begin at the beginning by examining strike and dispute trends on Jamaica's labour scene in recent times.

The following data present the number of strikes and industrial disputes occurring in our economy between 1970 and 1984, in two yearly periods.

Years	Strikes	Disputes
1970	70	329
1972	55	395
1974	88	443
1976	142	514

1978	215	678
1980	144	557
1982	142	659
1984	63	643

Some obvious trends emerge from these data. Between 1970 and the second half of the 1970's there is a steady increase in the number of industrial disputes, indicating an intensification of industrial conflict. After 1978 the level of disputes fluctuates a bit but remains slightly above 600, indicating that some sort of stabilisation factor has entered the picture.

### Industrial conflict

Over the period of the 1970's, however, the number of disputes virtually doubles, representing a very significant increase in industrial conflict.

We have accounted for this upward trend in labour disputes as reflecting the effect of increased union membership, cost of living pressures on labour, and growing worker militancy in the face of a more difficult wage bargaining situation. More militancy it was hoped would have enhanced labour's bargaining power, but it turned out to be a futile hope as cost of living increases ran ahead of wage increases for most workers in the second half of the seventies. (See CLASS, STATE AND DEMOCRACY IN JAMAICA, chapter 6)

Strike incidence did not significantly increase in the early years of the seventies decade but took off after 1975 and increased three-fold or trebled by 1978. After 1979 this upward trend in strike incidence has been reversed. It fell from 215 in

1978 to 182 in 1979 and stabilised around 140 between 1980 and 1982. It fell dramatically to 91 in 1983 and dropped to a very low 63 in 1984.

## Expectations

We can understand why strike levels increased in the difficult 1970's but how do we account for the decline in the 1980's and especially so since the Seaga regime has been in power?

A perceptive union delegate who spoke at a union meeting I attended at the Trade Union Centre took the view that it all has to do with expectations. He insisted that the workers and the unions harassed Mr. Manley in the seventies because they expected much from him as a former labour leader. Thus the strike weapon was liberally and frequently used to draw his attention to their problems.

In the case of Mr. Seaga, there is, he insisted, a mixture of fear and a belief that Mr. Seaga is not concerned about labour's plight. Hence, he concludes, these low expectations reduce the pressures generated on the Seaga government to redress labour's burden of problems.

## Labour militancy

The larger point is that in the climate of an apparent unconcern for labour which has built up since 1980 and in a political economy in which labour is being asked to bear the brunt of the painful stabilisation policies, labour militancy has retreated due to a sense of the futility and high cost of striking and the meagre benefits and painful sanctions and punishments that often follow.

What is interesting is that over this period when strikes were occurring with less frequency (1979-84), there was no appreciable decline in dispute levels. In other words the levels of industrial conflict remained stable but the propensity to strike declined as workers became more cautious in using the strike weapon.

Clearly this was influenced by increased job insecurity, the hardline position adopted by the courts in interpreting certain strikes as amounting to workers abandoning their jobs, a general fear of employer sanctions and reprisals and a growing sense that strike militancy was not likely to yield adequate benefits in

many conflict situations. The loss of income from strikes compared to the often absent gains led to a rational cost-benefit analysis by labour which concluded that strikes were to be more sparingly used.

## Victimisation

Now these factors which led to a decline in the propensity to strike were doubly reinforced in 1985 by the General Strike which left a gruesome trail of victimisation, dismissals, job insecurity, worker fears and anxieties and a weakening trade union leadership. Industrial conflicts will continue. Industrial action will also continue in many sectors but the strike weapon will continue to be sparingly used.

For strike levels to increase as predicted by the Frost and Sullivan risk analysis, all or most of these factors will have to change and they are certainly not likely to do so in 1986.

The Gleaner's Annual carries a report of industrial relations in 1985. The headline refers to "comparative industrial calm" although some time is spent analysing the General Strike in detail. The report quotes both Senator Emil George of the JEF and the BITU's Senator Dwight Nelson as endorsing the view that 1985 was a year of industrial calm in spite of the turbulence of the General Strike.

## Crystal ball

One should not engage in making forecasts without linking one's projections to existing data which show past and current trends. All trends are subject to change but if we expect that to change, we must identify the underlying causal factors and present convincing analyses as to why they will trigger these new directions away from the past or current trends. None of this was done in the Frost and Sullivan treatment of strikes.

I frankly cannot think of any good reason why strike levels should now begin to increase. The author of the Frost and Sullivan report on Jamaica should go back to his crystal ball and review this very questionable projection he has made about strike levels in Jamaica and either retract the forecast or give us some convincing reasons as to why we should not dismiss it summarily as I have done.

PRI HEAD LINKS DEMOCRACY IN NATION, PARTY AT CEN MEETING

Key Role of Party Practice Cited

Mexico City EXCELSIOR in Spanish 11 Dec 85 pp 1-A, 10-A, 31-A

[Article by Guillermo C. Zetina]

[For related articles, see JPRS LATIN AMERICA REPORT (for PRI 12th National Assembly) of 10 Oct 84 (JPRS-LAM-84-111) pp 91-114; of 31 Oct 85 (JPRS-LAM-85-092) pp 86-88; of 26 Nov 85 (JPRS-LAM-85-098) pp 97-98; and FBIS LATIN AMERICA REPORT of 17 Oct 85, p M3]

[Text] Those who defend interests that are at odds with Mexico's and the people's, those who would destroy the revolution's accomplishments are attacking the system. But the strength of the people is greater than the attempts at destabilization by the anti-Mexican advocates, and "we are not going to remain bogged down in economic problems and the September tragedy," PRI leader Adolfo Lugo Verduzco asserted yesterday.

Speaking before all of the country's governors at the Special National Council of the ruling party, Lugo Verduzco indicated that ours "is not a dogmatic revolution in which doctrine takes precedence over objective analysis and plays a restrictive, paralyzing role," adding that in the face of the current crisis "this time nothing can be put off for a more suitable occasion."

Lugo Verduzco said that in 1985 PRI won the 7 governorships at stake; was victorious in 289 of the 300 national congressional races; took 157 of the 160 local seats; was victorious in 827 of 845 city hall races and recovered 21 mayoral seats that the opposition held.

The council opened at 1000 hours in the Teatro del Bosque. Secretary General Irma Cue read her report, and Enrique Fernandez Martinez from the CNOP [National Confederation of Popular Organizations], Blas Chumacero from the CTM [Confederation of Mexican Workers] and Mario Hernandez Posadas from the CNC [National Peasant Confederation] took the floor. Speaking on behalf of the state governors was Heberto Barrera from the state of Mexico.

## Blackmail and Slander

In a 30-page address Lugo Verduzco said that "in the face of PRI's legitimate and overwhelming victories, certain opposition parties have repeatedly resorted to insult and outrage, thus endeavoring to obtain through blackmail and slander what they have not been able to secure through the vote of the people." Far from analyzing their defeats, he went on to say, "our adversaries try to besmirch our constitutional elections with accusations that, because they are unfounded, they cannot prove in the forums that are provided for in election legislation for challenging irregularities."

The aim of the reactionaries, in his judgment, is not to enrich the country's politics, because they agitate and attack after the elections "for the obvious purpose of sullyng them. They round out their prefabricated stories by propagating false rumors about national politics at home and abroad. But the people are not fooled by this reactionary opposition, whose banner is the denigration of Mexico. The reactionaries' lack of nationalism, their alliance with the enemies of the Mexican people inside and outside the country, and their backward-looking ideas, which do not address the country's current problems, are among the most obvious causes of their repeated defeats at the polls."

He also said that peaceful elections and a vote for the Mexican Revolution have been the categorical response of a people who are able to distinguish between loyalty to the nation and to its historic agenda and the opportunism of those who have sought to exploit economic problems to reverse the accomplishments of the revolution.

The Special National Council was also attended by the head of the DDF [Federal District Department], Ramon Aguirre Velazquez, senators and congressmen.

## We Have Left Vacuums: Lugo

The PRI leader acknowledged that the party must do more in-depth ideological work in the mass media: "We must recognize that in this area of party work we have left vacuums that opposition spokesmen have increasingly filled in a bid to sow confusion and despondency among the public."

As far as party activists are concerned, he explained that "they keep the party's work going." With regard to the party's territorial structure, "we in PRI cannot resign ourselves to having municipal and sectional committees that exist only on paper and are not continuously at work." He went on to say: "The sectional committees are the foundation of our territorial structure; until we succeed in getting them fully operational throughout the country, we will be wasting much of the social energy of our activists."

He mentioned that PRI is adopting new tactics and strategies for the struggle, avoiding the temptation to pigeonhole and exclude. He explained that the comprehensive democratization of the national community "necessarily requires the refining of party democracy."



He indicated that the CEN [National Executive Committee] is aware that "there is no perfect procedure" for selecting candidates and recommended: "We must all commit ourselves to persevere in holding our internal elections, which are characterized by their scrupulous fairness and the growing involvement of party members." The rank and file were consulted directly, he said, in Nayarit, Yucatan, Hidalgo, Sonora, Veracruz, Tabasco, Tlaxcala, Colima, Campeche, Jalisco, Zacatecas and San Luis Potosi.

These consultations, he indicated, "are not experiments or attempts to make spectacular leaps; they are attempts to move forward firmly and tenaciously with political realism."

Another admission: "Despite all of the progress we have made towards our goal of strengthening democracy in our party, we must acknowledge that we are facing obstacles and resistance stemming from the survival of cacique holdings." He thus called for an end to attitudes that lead to inertia and the shirking of duties. "The party must reject any tendency towards do-nothingism or stagnation."

#### 1986: Elections in 15 States

After noting that next year there will be elections of governors, mayors and city councils, and state legislatures in 15 states, Lugo Verduzco urged the party to step up its work to put together a register of its members and to keep up to date the information on "how many of us PRI members there are, who we are and where we live."

He emphasized that during a period of economic difficulties like the present one "our political organization must not ignore the people's needs and problems...The party has to underscore that it is not unmindful of the people's worries and demands."

He cautioned public servants who belong to PRI that they should not expect the party to praise them if they drift away from the people. "We call on them to open the doors to their offices. PRI demands an open-door policy...PRI public servants must never forget their party and their commitment to it."

Lugo Verduzco also said that President Miguel de la Madrid's administration "is fully aware that it is in office amid an acute crisis and, therefore, is acting firmly and resolutely. For 3 years now," he noted, "the government has been taking the necessary steps to preserve what is most important: a national agenda, institutions, essential structures and gains for the people, in an atmosphere in which sovereignty has been exercised, freedoms and rights enjoyed without restrictions, and the avenues of democracy and social justice broadened."

He asserted that the administration has responded immediately, realistically and tenaciously to all of the challenges that it has faced so far in its 6-year term. "The economic crisis has challenged the system of the Mexican Revolution, which has responded with a clear political program that is committed to the goal of restoring the country's capacity for growth as a

necessary condition for preserving and bolstering the nation's independence." The administration has avoided facile solutions because "they would be as fictitious as the popularity they demagogically seek to build would be short-lived. Honesty in the handling of economic policy has been the key to preserving a consensus."

#### Economic Policies on the Mark

Given the administration's limited maneuvering room "its economic policies have been the proper ones." He went on to say: "Given current realities, nothing could harm the nation more than the childishness of ideological extremism, which irresponsibly proposes unrealistic courses of action to deal with events." Through its economic overhaul, he indicated, the administration is evincing its determination to do whatever it must to prevent the crisis from calling the shots and to forestall irresponsible damage to the economic structure that has been put together over many years of tenacious efforts by all segments of society.

Lugo Verduzco explained that without doomsaying or unfounded optimism PRI is asserting that the economic policies adopted "have prevented the economy from getting out of control and peaceful coexistence among Mexicans from falling apart...At no time has the crisis served as a pretext for setting aside historic commitments to the Mexican people."

Halfway through the 6-year term, Adolfo Lugo Verduzco paid tribute to "the patriotism, strength and honesty with which President De la Madrid has led the nation, practicing democratic leadership marked by a commitment to the masses and by the resolve to move forward in carrying out Mexico's historic agenda."

He indicated that when a country lacks solid political structures, fully operational institutions and organizations through which social classes and groups can express themselves, under the rule of law legitimized by a nationwide democratic consensus, "economic crises often lead to social unrest that shatters internal unity, thus jeopardizing national independence. This is not the case with Mexico."

The chairman of PRI went on to say that unlike other nations, whose governments have tightened restrictions to dampen dissent against economic austerity programs, "the Mexican Government has reaffirmed its confidence in the democratic system and has provided the channels for defining, together with the people, the strategies and actions for surmounting the crisis."

During the long history of actions taken against Mexico, "a crisis represents an opportunity for the counterrevolution to undo what has been done, as well as a fine chance to speculate even at the expense of the nation's sovereignty and interests." He then added: "The freedom with which the opposition makes use of Mexico's democracy to condemn and challenge it is convincing proof that it exists without restrictions."

1,012 Posts: 99 Percent for PRI

In submitting the 1985 activities report, PRI Secretary General Irma Cue said that of a total of 1,012 posts up for election, "our party won without question in 99 percent." She asserted that "political pluralism has been strengthened; the minority parties have defined their constituencies, and PRI remains the leading force and the best political option for Mexico."

She emphasized that PRI members are now seeking self-critically to understand their successes so as to preserve them and to ascertain their mistakes so as to correct them.

#### De la Madrid Reception at Los Pinos

Mexico City EXCELSIOR in Spanish 11 Dec 85 pp 1-A, 19-A

[Article by Aurora Berdejo Arvizu]

[Text] President De la Madrid asserted yesterday that as we near the end of 1985, a year that he described as difficult in many respects, Mexico can point to being a free, independent and democratic country that is able to talk over its conflicts in peace and that has an undogmatic, flexible party, PRI, that brings together the masses.

After being greeted in the Carranza Room at Los Pinos by the members of the National Executive Committee of the Institutional Revolutionary Party, headed by party chairman Adolfo Lugo Verduzco, during the assembly that it held there, De la Madrid stated:

"I would like to express my very personal satisfaction with the results that we members of the Party of the Revolution have achieved in this difficult year of 1985." He called it difficult because of the country's economic problems and the September earthquakes and "because the world panorama remains a cause for serious concern to mankind, owing to the threat of violence and the international economic crisis that plagues developing countries like ours."

He indicated that in spite of these international and national difficulties, "we Mexicans have been able to tackle these problems without straying from the fundamental model of the Mexican Revolution."

We have been able, he added, to preserve a democratic system with broad, unrestricted freedoms and to make the republic's institutions function.

The president recalled that when a society becomes too fragmented, problems cannot be addressed in peace, democracy and freedom. He stressed, however, that in 1985 the solidity that the revolution and its party have given Mexico has enabled us not only to make headway in various areas but also to refine our democracy.

De la Madrid emphasized the "strategic value" of unity among revolutionary forces and proclaimed: "Thanks to this unity, which embraces the majority of

Mexicans, we can point, as a difficult year draws to a close, to a democratic country, a free country and an independent country, a country that is able to talk over its conflicts in peace, a country that is able to refine its democracy, a country that respects and broadens freedoms."

"We can point to this," he underscored, "only in a country, such as Mexico, that has a solid core of institutions that represent the lower-income classes and, consequently, the majority of the nation."

#### PRI Represents the Ideology of the Majority

The chief executive gave assurances that because PRI "espouses the ideology that most Mexicans prefer, because it represents the nation's largest classes, because it is faithful to its ideology, without being dogmatic or rigid, and because it is able to foster ongoing change in the country, it continues to deserve the support of the masses."

He said that this is the reason why in a difficult year like 1985 PRI once again won the overwhelming majority of elections, which were conducted democratically and with respect for even broader freedoms.

The president of the republic stated that "the only way that we will be able to retain the support of the masses is by remaining faithful to our ideology, by updating strategies and tactics and, above all, by preserving the fundamental unity of the Mexican people."

He told PRI activists that "based on our experiences in 1985, I am confident that our party will continue to wage and win Mexico's great battles."

The meeting was attended by PRI congressmen, senators and leaders.

#### Focus on Municipal Candidate Selection

Mexico City EXCELSIOR in Spanish 11 Dec 85 pp 1-A, 11-A, 37-A

[Article by Aurora Berdejo Arvizu]

[Text] Asserting that PRI is not engaged in a battle for survival, the party's chairman, Adolfo Lugo Verduzco, said yesterday in the presence of President Miguel de la Madrid that in spite of its victories PRI has a long way to go before it achieves all its goals. He indicated that there is no room for overconfidence, arrogance or self-complacency, adding that "only with creative discontent can we cut short any tendency towards do-nothingism or stagnation."

Lugo Verduzco, who headed a group of PRI members who visited Los Pinos to greet the chief executive, presented him with the findings of the National Council meeting that the party held yesterday.

He asserted that "we are not going to lower our guard" in the revolutionary struggle, adding that "this is the not the time for inertia, lack of willpower or irresponsibility."

He went on to say that the members of PRI realize clearly that the new tasks of the Mexican Revolution demand an increasingly strong party that is ever more committed to the goals on the national agenda of the revolution.

He asserted that PRI intends to do its part responsibly, by strengthening its own internal democracy and thus encouraging the country's comprehensive democratization.

He said that in various municipalities PRI has been consulting directly with the rank and file in selecting candidates, adding: "All of the candidates thus nominated to represent us at the polls have been victorious in constitutional elections."

Lugo Verduzco underscored that PRI is prepared to continue refining its internal party democracy, emphasizing: "For the elections in which it is proper, we are going to continue employing this method, which our bylaws provide for, of electing leaders and nominating municipal candidates."

#### "Authentic Spokesmen"

He went on to say that PRI has called on its leaders at every level to become "authentic spokesmen for the people's demands," and he indicated that "we have asked PRI public servants to pursue an open-door policy that will enable them to have a close and direct relationship with our broad popular base."

He talked about the halfway point in the president's term, stating that PRI "reaffirms categorically that Miguel de la Madrid is a leader who has measured up to the nation to which he belongs and has risen to the occasion."

He said that these are decisive times for Mexicans, adding that 175 years of struggle for national independence and 75 years of revolution "have proven to us that united we will continue to wage the battles that the country requires and to stand alongside the president of the republic in surmounting our domestic problems and in making this a strong and better period in our history."

Lugo Verduzco asserted that the party's efforts to renew itself have been reflected at the polls, "where we have convincingly reaffirmed the unquestionable predominance of the nationalistic and revolutionary movement that we represent."

He underscored that in the constitutional elections held in 1985 "our candidates scored clear-cut, honest and unassailable victories that have again demonstrated that the people are our party's strength."

The reception for the chief executive was at noon.

## Governors Dismiss Social Unrest Charges

Mexico City EXCELSIOR in Spanish 11 Dec 85 pp 1-A, 20-A

[Article by Salvador Martinez G.]

[Text] Six governors have indicated that the economic crisis will not lead to a political crisis, because they are not directly linked, aside from the fact that the nation's institutions are strong and, therefore, there is no danger of social unrest.

The governors of Nuevo Leon, Campeche, Nayarit, Yucutan, Oaxaca and Guerrero also stated that opposition parties should not take advantage of economic problems to win over voters but should instead use their tenets and principles to defeat PRI, which is still indisputably the majority party.

Jorge Trevino Martinez from Nuevo Leon, Abelardo Carrillo Zavala from Campeche, Emilio M. Gonzalez from Nayarit, Victor Cervera Pacheco from Yucatan, Jesus Martinez Alvarez from Oaxaca and Alejandro Cervantes Delgado from Guerrero were interviewed separately during the Special National Council of PRI yesterday at the Teatro del Bosque.

Governors Martinez Alvarez and Cervantes Delgado spoke about the upcoming executive branch elections in their states, indicating that the PRI candidates will have to be thoroughly informed about the problems there and be eminently revolutionary.

In hurried, on-the-run interviews at the close of the Special PRI Council, they said that the people will vote for PRI because it is the only party that offers solutions to national and regional problems and "does not function solely at election time."

Martinez Alvarez and Cervantes Delgado called on opposition parties not to take the simplistic approach of attacking the government and the revolutionary system for the current economic crisis but instead to elevate the debate to the level of political tenets and principles.

The governors of Yucutan (Cervera Pacheco), Nuevo Leon (Trevino Martinez), Nayarit (M. Gonzalez) and Campeche (Carrillo Zavala) felt that these are trying times in which there must be greater solidarity and unity around national institutions.

They acknowledged that times are tough but stressed that only if the people and the government are united, will they be able to endure the harsh blows of the economic crisis, which is largely the result of the worldwide crisis.

The governors underscored that there is no danger of the economic crisis leading to a political crisis, inasmuch as the institutions built on the Mexican Revolution are strong; thus, there is no threat of a breakdown in social peace.

They stated that the violence in certain spots around the country, mainly in rural areas, does not represent a breakdown in social peace, adding that in their states the climate is one of complete calm.

#### Close Contact With People Emphasized

Mexico City EXCELSIOR in Spanish 12 Dec 85 pp 4-A, 40-A

[Article by Cristobal Ojeda]

[Excerpt] Fifteen months after the 12th National Assembly of the Institutional Revolutionary Party, Adolfo Lugo Verduzco, the chairman of the party's CEN, spoke yesterday before a large audience of PRI members from all over the country at the opening session of this year's Special National Council. He spoke forcefully about Mexico's domestic situation and foreign relations, summarized the party's efforts this year and gave a rundown of the reasons why it won the overwhelming majority of the elections, thus strengthening its position as modern-day Mexico's leading political force.

He referred often to the praiseworthy efforts of the party's rank and file, who worked throughout the country to achieve victory "in a close, daily relationship with the people." "A revolutionary party like ours...which operates with political realism, is determined to strongly promote the direct involvement of our members in selecting our candidates for popularly elected posts in municipalities."

Direct consultation with the rank and file is the cornerstone of all election victories, through party unity and discipline. Through self-criticism the party has recognized certain shortcomings in its nomination procedures and even the survival of obstacles and resistance. Lugo Verduzco pointed to the cacique holdings as one of these harmful vestiges that are thwarting an enhanced party democracy in certain regions of the country.

The party is fostering constant change and, therefore, in principle rejects any makeshift experimentation aimed at showy results. On the contrary, the party must move firmly and tenaciously forward with political realism towards the necessary social changes. There must be no inertia, no do-nothingism, no stagnation. "What Mexico requires today from its historic party means that we in PRI cannot be overconfident," Lugo Verduzco said, referring self-critically to the tendency towards inertia among some public servants who after they win think that "they've made it." On the contrary, every representative of the people who emerges from the ranks of PRI has a vital commitment to the people, and each of their problems, starting with problems at home, is a problem of the party. "The people's needs and the party's efforts to articulate their demands must go hand in hand with the responsibility and commitment of our representatives."

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CSO: 3248/142

## BRIEFS

JAPANESE COMMUNIST PARTY DELEGATION--A delegation of the Japan Communist Party [JCP] is in the country to strengthen ties between Japanese and Nicaraguan women, and affirm the JCP's solidarity with the Nicaraguan people. The delegation is led by (Tachiyo Minoda), a deputy and member of the JCP Central Committee. During its visit to the country, the delegation will meet with government representatives; it will also tour several sectors of the capital. [Excerpts] [Managua Sistema Sandinista Television Network in Spanish 0200 GMT 16 Jan 86 PA] /8918

SWEDISH SOLIDARITY DONATION--A \$5 million donation sent by Swedish solidarity organizations to Nicaragua arrived at the port of Corinto on 12 January. The donation, coordinated by Swedish-Nicaraguan Friendship Association, includes ambulances, medicine, medical equipment, and agricultural tools that will be channeled to different sectors by the Nicaraguan Social Security and Welfare Institute (INSSBI). The donations received from Sweden are part of a program established by that country's solidarity organizations and the official program for bilateral cooperation. The Swedish parliament recently approved a 125 kronen fund, approximately \$16 million, for the project. [Text] [Managua EL UNEVO DIARIO in Spanish 15 Jan 86 p 8 PA] /8918

SOCIALIST COOPERATION--Managua, 16 Jan (ANN)--Official sources have reported here that socialist countries donated consumer goods, capital, and technical assistance to Nicaragua worth \$260 million in 1985. Socorro Galan, secretary general of the Nicaraguan Association of Friendship with Socialist Countries, reported that this collaboration is broken down as follows: Cuba, \$96.5 million; the USSR, \$17.2 million; Czechoslovakia, \$16.6 million; Bulgaria, \$14.9 million; the GDR, \$10 million; Poland and Hungary \$8.4 million. The donations include powdered milk, canned food, medicines, hospital equipment, agricultural machines, industrial chemicals, technical assistance, and household appliances, among others. According to a UN report, the socialist countries delivered economic aid worth \$780.5 million to Nicaragua between 1979 and 1984. [Excerpts] [Managua ANN in Spanish 0115 GMT 17 Jan 86 PA] /8918

CSO: 3248/179



PERU

SECOND FISH SHIPMENT, TRAWLER ARRIVES FROM CUBA

PA150442 Havana International Service in Spanish 1800 GMT 12 Jan 86

[Report by Abel Sardinas, PRENSA LATINA correspondent in Lima--recorded]

[Text] The second 500-ton shipment of fish donated by Cuba to the Peruvian people, which is being unloaded at the northern port of Paiza, arrived at a critical moment and will bolster the efforts to counter a seasonal lack of certain products which is currently affecting the country. The shipment was brought by the fish-factory stern trawler, Rio Damuji, that was lent by Cuba to Peru, which will fish free of charge for 6 months and train the crew members of its future first-class fishing fleet. A similar boat, the Rio Las Casas, which was also lent for an equal period of time and for the same purposes, had delivered the first 380-ton shipment in early December.

Luis Alva Castro, prime minister and economy minister, went to the port of Paiza to welcome the ship. He was accompanied by Jose Palomino, minister of fisheries; Manuel Romero Caro, industry and commerce minister; and other government officials, plus Omar Morales, Cuban charge d'affaires in Peru.

Alva Castro stated--just like he did when he received the first shipment at the port of Callao and has reasserted on other occasions--Peru's gratitude for this solidary action. He particularly praised President Fidel Castro's interest in this cooperation, while Alva Castro was his guest in Havana a short time ago.

The second shipment of fish donated by Cuba comes at a time when Peru is facing a lack of certain agricultural products and other high-protein foods, plus an increase in staple prices. Various factors have led to this lack of products, including the normal decrease in production of products at this time of the year due to the climate, an increase in consumption by a sector of the population, plus the speculation and hoarding by large-scale producers and distributors, who seek to raise the fixed official prices for certain products.

/8918

CSO: 3348/380

PERU

#### BRIEFS

STUDENTS TO NICARAGUA--Five Peruvian students who are members of the Esteban (Pabletich) International Brigade have left for Nicaragua to participate in agricultural activities in solidarity with the Nicaraguan people. Nicaraguan Embassy Charge d'Affaires Hugo Rodriguez was at Jorge Chavez International Airport to say farewell to the five Peruvian students. [Excerpt] [Lima Radioprogramas del Peru in Spanish 0030 GMT 10 Jan 86 PY] /8918

SPORTS COOPERATION WITH CUBA--Peru and Cuba are going to cooperate in sports. This cooperation will cover the exchange of coaches, games between athletic teams, and the exchange of technical and scientific information on physical education. A spokesman for the Cuban National Institute of Sports, Physical Education, and Recreation reported that, according to the exchange agreement recently signed by the Fourth Mixed Cooperation Commission, Cuba will send a group of coaches to Peru. He added that sports cooperation will be implemented when the two countries agree on Peruvian sports needs. According to the agreement signed during the recent visit of Peruvian Prime Minister Luis Alva Castro to Havana, Cuba has invited Peruvian teams to international sports events in Cuba and proposed the exchange between the two countries of technical and scientific information on sports. [Text] [Lima Radioprogramas del Peru in Spanish 0030 GMT 10 Jan 86 PY] /8918

TECHNICIAN TRAINING IN CUBA--Peruvian technicians will go to Cuba to undergo a scientific-technical training program for sugar production. The training program will cover planting and harvesting as well as the final processing of sugar, Minister Luis Alva Castro announced. Alva Castro added that this is the result of talks held between the Peruvian and Cuban governments when a Peruvian delegation visited Havana. The minister also announced that a Cuban historian, Eusebio Leal, will soon arrive in Peru to conduct research work on the artistic heritage in Trujillo. Alva Castro later announced that several coaches will arrive in Peru in order to train Peruvian athletes in various sports. [Text] [Havana International Service in Quechua 2200 GMT 10 Jan 86 PA] /8918

CSO: 3348/380

TEXT OF PRIME MINISTER CHAMBERS' 1986 BUDGET SPEECH

Port-of-Spain TRINIDAD GUARDIAN in English 24, 25, 28, 30, 31 Dec 85, 1, 3, 4 Jan 86

[Text of presentation of 1986 budget by Prime Minister and Minister of Finance George Chambers in the House of Representatives on 17 December 1985]

[24 Dec 85 pp 7, 8]

[Text]

I have on many occasions and before varied audiences called on the national community to adjust its expectations and behaviour to take into account the reality of an unfavourable international economic situation.

As is by now well known, this imperative derived from the weakening of oil prices and the consequent loss of national income, foreign exchange earnings and Government revenue.

We were placed in a position of having to find a means of reconciling the inescapable contraction of economic activity with the protection of the gains made over the previous decade.

REDUCTION

Let me put in perspective the reduction of earnings which the country has experienced.

At the average prices prevailing in 1981 and all else being equal, Government's revenue from the taxation of the oil sector in 1985 would have been some \$835 million higher, and over the four years of this Parliament the additional revenue would have been in the order of \$2,600 million.

I submit that the only sensible and viable approach to coping with an adverse change of this magnitude occurring over such a short period of time, is the reining in of expectations and of expenditure.

This is particularly true where there is a strong demand for imported consumer goods and services.

The key to restoring an environment in which it can be expected

that economic activity will expand is the striking of a balance between living within the constraints of the reduced resources available and the augmenting of these resources by drawing on savings and by judicious borrowing.

The mix of policies introduced in the budgets for the three years 1983-'85 was attuned precisely to meeting this objective.

By any standards, the results are impressive. Take, for example, the balance of payments.

The value of merchandise imports has fallen markedly each year since 1982.

This is the main reason why a trade deficit of \$1,360.4 million in 1982 has, despite the loss of export income from oil, been converted in 1985 to a trade surplus almost equal in magnitude.

Expenditure on services has also been lowered, particularly in the case of vacation travel for which the estimated sale of foreign exchange is \$331 million for 1985 compared with \$372 million in 1982 and \$433 million last year.

Overall, net sales of foreign exchange this year by the Central Bank to the commercial banks for both current and capital transactions have been even lower than in 1982.

As unpalatable as it appears to be for some people to accept, it is a fact that sound economic management during the boom years ensured that the country had adequate foreign reserves to cushion the adjustment which became necessary from 1982.

We have been able to draw on our

reserves while moving to a new equilibrium in our trading position with the rest of the world.

The substantial reduction in the rate of loss of reserves from \$2,161.6 million in 1983 to \$700 million estimated for 1985 is indicative of how rapidly we have been restoring the balance of payments to a sustainable position.

Moreover, and perhaps more importantly, this is being achieved while the level of reserves is still adequate to provide cover for approximately seven months worth of import payments.

The reserves position is sufficiently strong for Trinidad and Tobago to remain one of the few countries

designated in 1985 to sell foreign currency to the International Monetary Fund (IMF) in exchange for Special Drawing Rights (SDRs) to enable that institution to assist the large number of countries which seek its support.

At the same time, significant progress has been made in lowering the rate of domestic inflation. The year-on-year rate of increase in consumer prices for the period ending October 1985 is estimated to be 6.9 per cent, the lowest rate of inflation in Trinidad and Tobago since 1972 and less than one-half of last year's.

While this was due in part to lower international inflation, the performance in respect of prices this year is an indication that the level of domestic demand has been brought closer in line with income and production.

## REDUCED

The Government itself has had to adjust its expenditure plans, since the effort to widen and deepen the coverage of domestic taxation barely offset the loss of revenue from the oil sector.

Accordingly total expenditure was being lowered from \$3,426.3 million in 1982 to \$1,727 million this year.

This reduction in capital expenditure was achieved in an orderly fashion in the sense that it reflected a conscious decision to eschew commitment to any further large projects and to complete those which were already at an advanced stage of construction, instead of abandoning such projects.

The overall fiscal deficit was reduced from \$3,583.6 million in 1982 to \$1,622.3 million in 1985, a factor which contributed in no small measure to the improvement in the balance of payments.

While the adjustment has not been without its inevitable costs we have, by taking the initiative as early as we did, minimise their impact.

Government acknowledges that there has been a fall in overall national production, with the emergence of some excess capacity and an increase in unemployment.

These may well be considered the short term implications of the effort to achieve a balance between the availability and the use of resources in the country.

The extent of the unfavourable experiences is an indication of the magnitude and swiftness of the loss of income and the increasing difficulty of external borrowing from developing countries, an issue to which I shall revert.

## ENCOURAGE

However, while seeking to encourage the national community to live within its means, the Government also continued to encourage additional production and investment in key activities such as petroleum and petrochemicals, tourism and export-oriented light manufacturing.

The response of oil production to fiscal incentives implemented in recent years has been positive. Similarly, the light manufacturing sector has been sensitised to the potential of extra-regional export markets.

These and other positive results to which I have referred are but a demonstration of the willingness of the national community to make the adjustments called for in the present economic circumstances.

This leads me to an examination of the performance of the domestic economy.

In 1985, Trinidad and Tobago experienced a reduction in economic ac-

tivity for the third consecutive year.

Preliminary estimates indicate that real output fell by 6.2 per cent which is significantly less than the decline of 10.8 per cent in the previous year.

The protracted weakness in world demand for energy has served to limit activities in the domestic petroleum industry.

The growth of output and employment in the non-oil sectors has also been restricted because of the severe decline in the oil sector's contribution to the country's foreign exchange earnings and to Government revenue.

## FISCAL

Adverse international circumstances notwithstanding, the domestic oil industry has responded favourably to the fiscal stimuli provided by the Government in recent years.

The decline in output of this sector which started in 1979 was reversed in 1984 and the recovery gained strength this year with average daily production of crude 7.1 per cent higher than in 1984.

Output of the petrochemical industries also expanded appreciably in 1985, largely reflecting the production of the recently commissioned urea and methanol plants.

Agricultural production for the domestic market continued to grow while the output of the traditional export crops increased for the first time in a number of years.

However, the other non-oil sectors such as manufacturing, construction and distribution experienced, by and large, significant reductions in output.

In the recent past, the public sector was able to stimulate the growth of output and employment in the non-oil sectors through its vast expenditure on social and economic infrastructure and its direct involvement in commercial ventures.

With the need to reduce Government expenditure, however, economic activity and employment declined.

The number of persons employed fell by about 18,000 between the first half of 1984 and the corresponding period this year, mainly because of lower employment in construction, distributive trades and manufacturing.

## NET GAIN

On the other hand, there was a net gain in employment in agriculture. In all, the rate of unemployment which averaged 12.8 per cent in the first half of 1984 rose to 15.3 per cent in 1985.

In the context of an economy which has been contracting, it is not surprising that deposits with commercial banks fell by some \$179.0

million or 2.3 per cent in the first ten months of the year.

Deposits with non-bank financial institutions, particularly finance houses, also fell. This reduction in deposits led to a lowering of credit and a fall in the money supply.

The financial system experienced a shortage of liquidity throughout 1985. Excess liquidity of the commercial banks was marginal, never rising above 2.2 per cent.

The non-banks as a group were particularly hard pressed and had to seek the assistance of the Central Bank.

Cumulative financial accommodation to the non-banks from April 1984 to the present now stands at \$107.8 million.

I have already spoken of the improvement in the country's balance of payments. I need only stress here that the fiscal and monetary policies introduced in recent years, reinforced by the tightening of exchange control, were effective in dampening demand for imported goods and services.

I turn now to the international economy.

The influence of the performance of the international economy on our domestic fortunes is well known.

Notwithstanding some ill-informed local opinion to the contrary, it is my considered view that the national community must take full cognisance of the significant trends in the wider world.

The international economy continues to be characterised by uncertainty, instability, relatively modest growth, a high degree of unemployment and the erosion of per capita income in the developing countries.

The economy of the United States which provided much of the momentum for growth in 1984, faltered during 1985.

In the first half of the year, the growth of real GNP at an annual rate was a mere 1.5 per cent compared with the robust expansion of 6.8 per cent achieved in 1984.

True, economic activity has since accelerated but for the most part it remains weak.

## SLOWER

The major effect of slower growth in the United States has been a marked fall in the rate of expansion of the economies of the industrialised countries as a group.

Whereas the average growth of real GNP for those countries in 1984 was 4.9 per cent, recent estimates indicate only 2.8 per cent for 1985.

In general, their economic policies continue to emphasise lowering of the rate of inflation.

The increase in consumer prices this year was in fact lower than last year for most countries.

However, with average inflation

now as low as 4.2 per cent and only two per cent in the case of Japan, there seems little scope for further reduction.

On the other hand, unemployment continues to be unduly high when one considers that the current recovery has persisted, albeit sluggishly, for the past three years.

In the United States the rate of unemployment has hardly changed since mid-1984 and is expected to be 7.3 per cent at the end of the year.

The picture is even bleaker in Europe where today's average unemployment rate of 11.2 per cent is higher than during the recession of 1980-82.

Only Japan has been able to achieve low and declining unemployment, which now stands at 2.4 per cent of the labour force.

Uneven patterns of growth and of changes in the underlying economic condition of the various industrialised countries have been reflected in world trade and in the foreign exchange markets.

In the case of the United States a large deficit on current account has emerged as a result of lower savings and faster growth compared with most of its trading partners.

The deficit which was (US) \$2,600 million in 1982, grew to (US) \$34,500 million in 1983 and an estimated (US) \$123,200 million in 1985; in consequence, the United States — the leading industrial country — is generally considered to have become a net debtor during the first half of 1985.

The weak balance of payments position of the United States has global implications for exchange rates, interest rates and attitudes towards protectionism.

The financing of its current account deficit has been facilitated by a strong dollar bolstered by relatively high interest rates.

However, such conditions are not favourable to rapid economic growth.

It is not surprising, therefore, that as the economy weakened interest rates have been allowed to fall with short term rates reaching, by the middle of this year, their lowest level since 1978 though still high by the standards of earlier decades.

Similarly, the US dollar which in the first quarter of the year was at its highest level against other major currencies since 1971, has been allowed to depreciate from mid-year, and in a particularly deliberate manner after the September meeting of Finance Ministers of the five major industrial nations.

#### LOBBY

The protectionist lobby in the United States has grown increasingly aggressive in the face of the keener competitiveness of imports of

such products as steel, textiles and clothing, shoes and other leather goods, motor vehicles and even silicon chips.

This will continue to pose a grave risk to the system of open international trade, imperfect as it is, unless there is some improvement in the United States trade position.

However, the functioning of the world economy is such that it is difficult to be optimistic about early redress of trade imbalances.

There is no shortage of proposals for reform of the institutions which govern international economic relationships.

It is clear however that change, if any, will be exceedingly slow simply because, the large number of proposals notwithstanding, there is not the political will to find a workable compromise.

Developing nations such as Trinidad and Tobago will continue to have little influence on global economic policies. Such policies, however, severely condition the economic performance and prospects of developing countries which face near insurmountable problems.

#### EXAMPLE

For example, with the slower growth of the world economy, the volume of exports from developing countries increased by an insignificant 0.3 per cent in 1985 compared with 8.4 per cent in 1984.

Lower demand also resulted in a sharp fall in the prices of both oil and non-oil primary commodities and this at a time when the prices of manufactured goods continued to rise — a trend which has aggravated the trade and payments problems of developing countries.

As a result, in spite of the fall in interest rates developing countries as a group have had to devote an even larger share of their scarce foreign exchange earnings to the servicing of external debt.

The situation, in effect, has worsened since my 1985 Budget Statement in which I concluded that "the economies of the developing countries are being strangled for lack of long term external financing with the consequence that the immediate burden of economic adjustment is being made even harsher for such countries".

#### CRISIS

The gravity of the debt crisis is such that the United States authorities have formally presented a proposal to the international community with the stated objective of helping countries to overcome their debt problem.

This initiative, at least implicitly, recognises that the herculean adjustment efforts of the developing countries in recent years were not by themselves sufficient to en-

able them to cope with the burden of servicing their debts.

Such efforts must be supplemented by adequate amounts of new financing, including new lending by the commercial banks which instead have been withdrawing their support.

In the recent past it has been the experience of an increasing number of developing countries that commercial banks have required agreement with the IMF on national economic policy matters as a precondition for lending even where no IMF financing is needed.

Let me emphasise that no such condition applies to Trinidad and Tobago's borrowings. In other words, we are able to borrow because lenders are fully satisfied that Trinidad and Tobago is a good credit.

This is not to say, Mr. Speaker, that market conditions have not become more difficult or that we have not had to lower our borrowing targets.

In these circumstances, we have renewed discussions with the multilateral development banks with a view to acquiring funds on more favourable terms and to offset the reduced availability of financing from commercial markets.

#### CONNECTION

In this connection, we have had detailed negotiations with the Inter-American Development Bank on the financing of a number of projects.

This very day the Board of Executive Directors is considering approval of a loan for highway development in the East-West Corridor.

Regrettably, the World Bank continues to hold its view that Trinidad and Tobago has reached such a high stage of development and has such ready access to borrowing on the capital markets that this country does not qualify for its loans.

We, on our part, shall not rest in our efforts to have this matter redressed.

It is not only that the World Bank refuses to resume lending to us but it is also the case that the latest proposal being aired in the international fora is designed to deal solely with the problems of heavily indebted countries.

It offers no opportunities to a country such as Trinidad and Tobago which has scrupulously protected its creditworthiness.

I cannot emphasise too strongly that our external debt is 17 per cent of GDP and the debt service ratio only 14 per cent of export earnings in 1985.

By contrast, the comparable figures for all capital importing developing countries are 36.4 and 25.6 per cent respectively.

Let us now examine in more detail the performance of the key sectors of the economy against the background of the developments I have been describing.

**AGRICULTURE:** Government is encouraged by the increased production and employment in agriculture during 1985.

The greater availability of domestic foodcrops resulted in relatively low food prices throughout the year and contributed substantially to the lowering of the rate of inflation to which I referred earlier.

Honourable Members will recall that in my 1985 Budget Statement I had advised that in order to obtain better value for the high level of expenditure on agricultural subsidies, such payments would in future be linked to output rather than input. This policy is being implemented as planned.

The Food and Agriculture Corporation has established a produce handling terminal at Freeport and is in the process of completing, in conjunction with private enterprise, a facility for freezing farm produce.

Contracts have been entered into with farmers for the supply of cassava and a range of vegetables, including cabbage, bodi, sweet pepper, pumpkin and string beans.

The supply and price of these commodities are based on standard grades, a system of marketing which should lead eventually to easier availability to consumers of quality produce year-round.

Caroni (1975) Limited continued to implement its programme of diversification and corporate restructuring. Progress achieved in 1985 included:

- Further expansion of its tree crop orchards;
- near doubling of its acreage

under rice from which 1.1 million pounds of paddy were harvested;

- increased production of other food crops, particularly cassava; and,

- increased milk production and additions to the beef herd.

The revised corporate structure is being put in place. It is gratifying to note that while the company was pursuing these initiatives sugar output rose for the first time in more than a decade and that the refinery at St. Madeleine was operated for its first full year supplying the country's total needs for granulated sugar.

#### PROPOSALS

The Ministry of Agriculture, Lands and Food Production has completed its review of the report of the Food and Agriculture Organisation of the United Nations and has made proposals for implementation of further changes in agricultural policy.

These proposals relate to the poultry, pig, beef, dairy and citrus industries.

Subsidisation in the poultry industry through reduction of the costs of farm inputs was instituted:

- To stabilise consumer prices of chicken meat; and,
- to increase or maintain producers' incomes — especially those of small contract farmers.

The subsidies now paid are:

Broiler Breeders — \$2.61 per dozen on local hatching eggs;

hatcheries — 25 cents per day-old chick hatched from imported eggs; 11 cents per day-old chick hatched from local eggs;

contract Broiler Growers — 7.5 cents per lb liveweight on birds delivered to processing plants; and,

Processing Plants — 13.94 cents per lb on processed weight of birds sold for distribution to outlets but

not including fast food establishments, hotels and restaurants.

As early as 1978, Cabinet had appointed a Commission of Enquiry into the Diary and Meat Industry of Trinidad and Tobago.

The Commission's report became available in 1985 and has been the subject of close study in the Ministry of Agriculture, Lands and Food Production. The analysis of the poultry industry shows that:

- The major beneficiaries of the subsidy scheme are the large integrated operators, that is to say feed mills, hatcheries, processors and contract farmers with a throughput of over 80,000 birds per annum who operate no more than 50 out of a total of approximately 750 farms;

- non-contract farmers, who are the main suppliers in the live market, do not benefit from the subsidy scheme;

- low income groups and rural households, who are the major buyers in the live market, also do not benefit from the subsidy scheme; and,

- although the price of chicken is controlled, in reality, retailers bypass this restriction by selling chicken parts and by including on the live market charges for cleaning and gutting.

May I remind you, Mr. Speaker, that the price of chicken sold through fast food outlets, which account for a major share of the consumption of this meat, is not controlled.

In line with the policy of removing subsidies from inputs, the following changes will be introduced in 1986:

- Subsidies on day-old chicks from imported hatching eggs, liveweight broilers and processed birds will be removed; and,
- the price of chicken will be de-controlled.

[25 Dec 85 p 9]

[Text]

In the light of the findings of the commission of Enquiry there can be no justification for an increase in the price of chicken.

The poor quality of pigs purchased by the Central Marketing Agency (CMA) under the guaranteed price system has been a matter of concern for some time.

The CMA's ability to market pork both locally and regionally has been affected and large quantities had to be stored at high cost, in some instances with unacceptable levels of waste.

Cabinet early this year agreed that a consultant should assist the Ministry in developing a grading

system.

As a result of the thorough analysis of the local industry undertaken with the assistance of the consultant, a system of grading based on the following factors has been proposed:

- Deadweight, that is carcass weight as opposed to liveweight;
- thickness of backfat, that is the depth of fat between the skin of the back and the meat; and,
- a 75 per cent dressing percentage, that is to say a 25 per cent loss in weight after the animal is slaughtered, gutted and bled.

#### NECESSARY

However, it will be necessary to reinforce the system by compulsory standards in respect of the quality of feeds supplied to the industry.

To this end the Bureau of Standards will be directed to set appropriate standards with minimum delay and to ensure that such standards are maintained by feed manufacturers.

The Ministry of Agriculture, Lands and Food Production is adequately staffed to administer the proposed system and will in due

course announce the detailed grading and pricing structure.

The long-term decline in citrus production appears to have been arrested as a result of Government's citrus rehabilitation programme.

There has been an almost four-fold increase in deliveries by farmers to the Co-operative Citrus Growers' Association (CCGA) from 44,000 crates in 1981/82 to 167,151 crates in 1984/85.

In furtherance of the programme of encouragement of increased citrus production, it has been decided that:

- Import duty will be imposed on imports of citrus concentrates (grapefruit and orange) originating from extra-Caricom sources; and,
- imports of crystals and/or artificial flavouring of any kind and/or fully variable strength drinks of citrus juices from extra-Caricom sources will be restricted.

The bulk of beef and veal consumed in Trinidad and Tobago is imported, though there is a domestic industry capable of supplying about 25 per cent of the market with relatively high quality fresh meat.

Stocks have been building up on the farms in the face of growing imports. The long run objective is to redress the imbalance between local and imported supplies.

For the moment, however, in line with the policy to encourage domestic production while not denying the consumer access to supplies at more affordable prices, beef and veal will be brought under licence and the Ministry of Industry, Commerce and Consumer Affairs will take appropriate action.

It is well known that the policy of subsidisation of agriculture, particularly in Europe and North America, has resulted in substantial stockpiles of food products.

In our own case, Government has encouraged domestic agriculture, including the establishment of the local dairy industry as a means of achieving a measure of security in food supplies.

It is clear from the fact that output increased from 5.8 million litres in 1981 to over ten million litres in 1984 and continued its upward growth in 1985, that local dairy farmers have been responding to Government's programme.

Moreover, it is anticipated that the addition of two processors to the industry will provide a larger market for fresh milk.

#### A THREAT

The easy availability of highly subsidised imported milk could pose a threat to the livelihood of local dairy farmers. In the circumstances, I propose to introduce a levy on imported milk, and I shall have more to say on this later.

Needless to say, the policy of price support and a guaranteed market for domestic milk will continue.

**MANUFACTURING:** Manufacturing is one of the sectors which is bearing the brunt of the adverse impact of the slowing of the economy both locally and regionally.

This sector has not been able to switch its production capabilities towards satisfying demand in extra-regional markets in the few short years since the domestic and regional markets began shrinking.

More than ever is it evident that there must be an injection of new enterprise, capital and technology into the sector.

The final Report of the Committee which examined public sector participation in commercial enterprise, the role of foreign investment and of local conglomerates in the economy was received on November 14 and is now before Cabinet.

It may, however, be useful to indicate in this Statement the Committee's observations and recommendations with regard to principles for inclusion in a code on foreign investment and I quote:

"Trinidad and Tobago continues to welcome foreign investment in all sectors of the economy other than wholesale and retail trade, domestic transportation, radio and television broadcasting, land development and personal services.

"The Government has special preference for foreign investment in petrochemicals, tourism, and manufacturing industries which are designed to export all or the majority of their production. Investment in establishing new enterprises or in effecting significant expansion of existing enterprises is distinctly preferred, though acquisitions would also be favourably considered where such action is seen to involve clear benefits in the form of access to new markets and the introduction and transfer of new technology.

"The Government is particularly keen to encourage joint venture arrangements between foreign partners and local investors, the latter including both private sector and state enterprises.

"The foreign partner would normally be expected to hold a minimum stake equivalent to twenty (20) per cent of the issued and paid-up capital of the enterprise.

"Furthermore, in circumstances such as industries requiring substantial investment, the introduction of new and advanced technology into the economy and a high ratio of exports to total sales, the Government is prepared to approve full foreign ownership.

"In such instances, the Government may require that a mutually agreed programme of divestment

by undertaken by the foreign investor.

"The exchange control laws and practices afford full protection to capital brought into the country. Such capital can be repatriated without restriction.

"In addition, dividends, profits and fees are eligible for remittance on a current basis.

"With respect to current payments for services, the relevant technology, licensing or royalty agreements must first be registered with and approved by the Central Bank, the agency with responsibility for administering the country's exchange control laws.

"The Government has over the years enacted various fiscal incentives which are available to domestic as well as foreign investors.

"These incentives include but are not limited to income tax holidays, remission of duties on imported capital goods and raw materials, accelerated depreciation allowances, grants in respect of expenditure on the development of export markets and rebates of income tax (where applicable) on income derived from exports.

#### PROPOSED

"The Government is conscious of the fact that in recent years long bureaucratic delays and requirements of various agencies which at times conflict and, at best, often duplicate requests to investors, have had a negative effect on the perception of policy towards foreign investment.

"Accordingly, in 1985 responsibility for co-ordination of all activities related to the approval of foreign investment has been vested with the Ministry of Finance and Planning.

"Procedures have been put in place to facilitate the review of applications. Such review should normally be completed within two months."

The Committee has also proposed that the relevant provisions of the Aliens' (Landholding) Act should be replaced as soon as possible by a Foreign Investment (Encouragement and Regulation) Act which would, inter alia, clearly welcome investment, indicate the activities where foreign investment is proscribed and outline the incentives available to foreign investors and their responsibilities and obligations.

Mr. Speaker, Government's role as an investor can be expected to be less dominant than in recent years when, with ample financial resources at its disposal, it took the lead in a new industrial development thrust.

It now remains for the private sector to build on this initiative and

as it does so Government will insure that its policies continue to be fully supportive of its endeavours.

However, Government must reserve the right to invest, preferably in joint venture with local and foreign investors or a combination of both, in new projects which can play a strategic developmental role.

Priority will be given to channeling new investments into production for extra-regional export markets.

This imperative is dictated not only by the generally acknowledged need to diversify and augment our foreign exchange earnings but also in recognition of the fact that it is only through access to larger markets that growth can be rekindled and sustained.

While we cannot overlook the growing protectionism in overseas markets, there is still, as some of our manufacturers have begun to find out, scope for selling in these markets.

[28 Dec 85 p 7]

[Text]

The benefit of this to business needs no emphasising and will be augmented by the present arrangements between the Ministry and the Central Bank whereby the issue of licences and the approval of foreign exchange have been harmonised.

It will be recalled that in my 1985 Budget Statement I announced Government's intention to create a "one-stop shop" to facilitate and act as a clearing house for investment applications requiring approvals from several Government departments and agencies.

The key responsibility for the proposed system was assigned to the Minister in the Ministry of Finance and Planning.

#### 'ONE-STOP SHOP'

An ideal "one-stop" shop is clearly one in which a central agency is granted the power to receive, process and approve applications with minimal recourse to other agencies.

However, such centralisation of authority will involve, among other things, amendment of much existing legislation, a complex process which will certainly be time-consuming.

Initially, therefore, the "one-stop shop" has focused mainly on expediting the progress of applications through the various procedures required by law.

In order to assist potential investors in their submissions to the "one-stop shop," guidelines are being prepared indicating the informa-

## PROGRESS

This brings me to the Export Development Corporation. This institution is now firmly established and fully operational, and with an attractive armoury of incentives at its disposal, has brought to its mission a degree of enthusiasm which has infected the manufacturing community.

Evidence of this is the fact that no less than 354 firms have already been accepted for registration as bona fide exporters.

This growing export awareness in the private sector will have to be matched throughout the public sector.

To this end the Export Development Corporation has recruited, through the UNDP, a Trade Facilitation Advisor who will assist in the introduction of systems and practices aimed at simplifying the time

consuming and sometimes costly procedures in the several public agencies concerned with export activities.

The Corporation has also recently obtained the services of a Trade Information Advisor under the Commonwealth Secretariat's Technical Assistance Programme and in 1985 will establish a Trade Information Centre.

I am pleased to inform this Honourable House that considerable progress has been made in improving the systems and operations within the Trade and Commerce Division of the Ministry of Industry, Commerce and Consumer Affairs.

In particular, computerisation of the import licensing system has been completed and will be fully operative in 1986. With the introduction of this new system it will be possible in most instances for an application to be processed within the same day.

tion required by the various agencies and departments and the conditions under which such applications would normally be approved.

These guidelines which apply equally to local and foreign investors will be made available to the public early in 1986.

I may also indicate that Cabinet has appointed a team of senior officials familiar with the operations and procedures of the key departments and agencies involved in the grant of approvals to assist the Minister in the Ministry of Finance and Planning in expediting the processing of applications.

#### EFFORTS

Included in this team are representatives from the Town and Country Planning Division of the Ministry of Finance and Planning, the Central Bank, Ministry of Industry, Commerce and Consumer Affairs, Industrial Development Corporation (IDC), Caribbean Industrial Research Institute (CARIRI) and the Ministry of National Security.

The IDC for its part, has intensified efforts to stimulate new investments in the manufacturing sector focusing principally on joint ventures between local and foreign manufacturers.

In this connection the corporation has established a joint venture register which will facilitate the process of matching foreign investors to local opportunities.

The corporation has also made efforts to prepare interested local

investors for dialogue on a more equal footing with foreign counterparts.

The Development Finance Company too, has over the past decade provided medium and long term funds to the manufacturing and tourism sectors of the economy.

Its resources have been supplemented from time to time by a line of credit from the European Investment Bank for on-lending to private enterprise in Trinidad and Tobago.

#### TOURISM:

I turn now to tourism, another important component in our continuing drive to earn foreign exchange.

The short term goal of Government's tourism policy is to increase the contribution of the sector to five per cent of GDP over the next five years.

The newly-appointed Tourist Board has been mandated to take all appropriate steps to achieve this objective.

Emphasis will be placed on public awareness of the importance of the industry and its demands and on the aggressive marketing of Trinidad and Tobago abroad.

#### INTENTION

It is our intention to develop a viable year-round industry grounded in the distinct and unique culture of Trinidad and Tobago and making the most of the natural beauty of our twin islands.

A major thrust in these efforts will be a programme for new hotel



development with a target of an additional 3,000 hotel rooms to provide the minimum accommodation and other facilities necessary to make Trinidad and Tobago an important tourist destination.

As a result of discussions held with prospective investors during my visit to Europe and the Far East in July this year, a proposal has been received for the construction of a resort hotel at Rocky Point in Tobago.

The Ministry of Industry, Commerce and Consumer Affairs is also assessing a proposal for construction of a 350-room resort hotel in Las Cuevas.

In the latter case the Government will be required to upgrade the existing infrastructure.

As Honourable Members are aware a new terminal built in Tobago at a cost of \$19.2 million is now in use.

### PROGRESS

Development works currently in progress on the construction of the domestic services terminal at Piarco and the resurfacing of the Crown Point runway in Tobago will improve communication links between the two islands which will also benefit the tourism development programme.

The improved runway will be able to accommodate aircraft on direct international flights to Tobago from points such as Miami and New York.

Our concept of tourism does not relate only to overseas visitors but caters equally to the recreational needs of our people.

To this end the Tourist Board has been providing facilities at some of the more popular beaches and other attractions around the country.

In pursuit of this programme the Board has this year completed beach facilities at Manzanilla and Vessigny and brought into operation the Site Museums at Diego Martin Water Wheel and at the Pitch Lake, La Brea.

The Ministry of Sport, Culture and Youth Affairs has been developing proposals essentially aimed at deriving maximum commercial benefit from our unique culture.

### PROMOTION

As with our beach facilities the promotion of the performing arts will benefit both the local population and visitors to Trinidad and Tobago.

A National Youth Steel Orchestra and a National Youth Theatre Company are in course of formation.

The recently enacted copyright legislation is a necessary instrument to enable artists to obtain financial benefits from their creations.

In this connection Honourable

Members are advised that the required regulations and orders have now been approved by Cabinet and will be published shortly and the Act assented to.

Further, with the objective of promoting artistic works of excellence created and performed by local artistes, consideration is being given to allocating a specific minimum part of broadcast and telecast time, including prime time, to the presentation of such works.

The Government stands committed to playing a major role in creating the climate and conditions for achieving a rapid and substantial growth in the tourist industry.

However, it does so in the confident expectation that both local and foreign investors will take full advantage of the incentives to ensure that we develop and maintain in Trinidad and Tobago a competitively-priced tourism product.

### ENERGY

In my last Budget Statement I held out the prospect of increases in petroleum production in 1985 stimulated by the amendment to the tax regime and adjustments to the fiscal incentives to the industry which I had outlined.

I have already informed this Honourable House of the improved performance of the industry which took place against a background of very weak and unstable international markets.

### EXPECTATIONS

Our expectations for the industry in 1985 have been realised.

It is now a matter of record that on March 30, the agreement on the sale and purchase of the assets of Texaco (Trinidad) Inc. (Textrin) save and except some of its marine assets, was signed here in Port-of-Spain.

The Trinidad and Tobago Oil Company (Trintoc) assumed responsibility for the management of these assets effective February 28, 1985. The Act vesting these assets in the Government was assented to on December 12, 1985.

As empowered under the Act the Minister will in due course, by Order, transfer the assets to the nationally owned operating companies, taking full account of the advantages of rationalisation as it relates to producing areas.

Government acquired the 49.9 per cent of shares held by Tesoro Petroleum Corporation in Trinidad Tesoro on November 15, 1985, for a purchase consideration of 3.23 million barrels of residual fuel oil to be delivered over a period of 18 months.

### LOCAL ASSETS

Thus, the localisation of the petroleum industry which began with

the purchase of the local assets of British Petroleum in 1969 and was followed by the purchase of the assets of Shell in 1974 was significantly deepened in 1985.

Trintoc, since the Textrin assets have been under its management, has undertaken intensified work-over drilling and enhanced recovery activities which have resulted in an overall increase in crude oil production.

At the end of October 1985 total production average 20,230 barrels per day (BOPD), representing an increase of 6.6 per cent over the combined February 1985 production of 18,980 BOPD from the Trintoc and former Texaco fields, excluding Trinmar.

The acquisition of the Textrin refinery at Pointe-a-Pierre increased the refining capacity under Trintoc's control from 85,000 BOPD at Point Fortin to 305,000 BOPD overall.

The immediate challenge was the integration of the operations of the two refineries.

This has been largely met and the two refineries are now operated as a single entity, the strong points of each complementing the other.

Today the broad planning of refinery operations is handled by one department which schedules the processing of feed-stock by the two refineries as well as the transfer of intermediate products as necessary.

### RISEN

In March the total charge of the refineries was 82,000 BOPD; throughput has now risen to over 100,000 BOPD of indigenous crude and other feed-stock.

The company is directing its effort towards optimum utilisation of the plant and to this end has launched a vigorous maintenance effort to bring back on line several processing units which in recent years were left idle.

### HOUSING

In my 1985 Budget Statement I informed Honourable Members of a change in emphasis in Government policy on housing. This involved:

- A shift from fully-completed dwelling units and greater concentration on the provision of appropriately serviced housing lots in conjunction with assisted housing loans for the construction of standardised two or three bedroom houses; and,
- the construction of high density apartments in urban areas.

Much progress has been made in implementing this change. The 32 units at Circular Road, San Fernando, and the 43 units at Parkside have been completed and are occupied.

### WELL ADVANCED

In the case of the high density housing project the 830 units under

construction at Charlotte and Oxford Streets, Powder Magazine and Embacadero are well advanced and expected to achieve overall 60 per cent completion by year end.

It is anticipated that some of these units will be available for occupation during 1986.

[30 Dec 85 p 9]

[Text]

In the programme of development of housing lots 287 were fully completed this year and 159 are in various stages of preparation.

In respect of the specific project at Mayaro, to which I made reference last year, there is now before Cabinet a proposal to acquire 100 fully serviced lots in lieu of the original construction project.

This approach, will, if approved enable beneficiaries to build houses on those lots one year earlier than previously anticipated in addition to realising a cost saving.

By the end of the year, 159 houses would have been completed and handed over to beneficiaries at Five Rivers, Valencia, Crown Street (Arouca), Bon Accord, Gopaul Avenue (Diego Martin) and Couva.

#### KEY PROBLEM

Mr. Speaker, it is well known that in the drive to house the population we invested substantial sums totalling \$1,278 million in the period 1979-84 alone.

The administration of much of this expanded portfolio has been the responsibility of the National Housing Authority (NHA).

Perhaps the key problem encountered by rapidly growing enterprises is that of replacing the procedures which enabled them to cope with a small volume of transactions by systems capable of handling substantial increases in their business.

In the case of the NHA this may be judged from the growth in the number and value of its approvals and disbursements.

In 1975 there were 574 approvals to a value of \$5.6 million and 1,318 disbursements to a value of \$4.2 million.

At peak in 1979, approvals climbed to 2,730 for a value of \$153.4 million and disbursements numbered 4,562 valued at \$98.8 million.

Although the number and value of approvals and disbursements have fallen the burden on the NHA remains considerable.

At present it services over 30,000 mortgages and manages and collection of rent from 7,000 rental units, 3,500 building lots and 200 shops.

In addition, it is responsible for the physical maintenance of 400

apartment blocks and 1,500 other rental units.

Since 1982, NHA has been making concerted efforts to streamline its systems. Already its mortgage portfolio is being computerised and the programme is now at the design and testing stage with a view to full implementation early in 1986.

The fact is, however, that much remains to be done to bring the portfolio fully under control.

In the circumstances, in order to enable the NHA, in 1986, to concentrate on the task of more efficient management of its existing portfolio I consider it prudent to direct that 50 per cent of new funds provided to NHA in 1986 for on-lending will be managed on its behalf by Trinidad and Tobago Mortgage Finance Company Limited (TTFM).

This mortgage agency which is substantially owned by Government is capable of handling a larger portfolio than at present.

We will watch NHA's performance and TTFM's management of NHA's accounts to determine in due course whether a case exists for transferring to TTFM the total mortgage facilities of the Government.

#### REVIEW

Some residents of recently completed housing projects have been voicing complaints about the quality of the houses which they have bought.

While Government is under no legal obligation to alter the consideration already agreed, the Cabinet as you know approved variations in the terms of payment of residents of Malabar and for potential purchasers of units of Edinburgh 500 and Couva.

The Ministry of Housing and Resettlement has now completed its review of the problems which have emerged at Bon Air, Chaguanas, La Horquetta and Maloney and the matter is now before the Finance and Economics Committee of Cabinet for its consideration.

I have asked the Committee to expedite its work so that Government's decision may be announced at an early date.

Recent decisions of Cabinet have

now cleared the way for disposal of the remaining units at Flagstaff Hill and Prada Street. Cabinet has established the following priorities:

#### CONDITIONS

- The allocation of units to eligible Government officers under existing Regulations;
- the rental of units, unfurnished to the University of the West Indies at rentals which have been specified;
- those units which remain should be offered for sale with no down payment and the mortgage restructured accordingly; and,
- any units remaining thereafter should be offered for rent to persons with specific income qualifications and at rentals as follows:

Type of Unit	Monthly Rental	Minimum Monthly Salary Requirement
<b>Flagstaff Hill</b>		
2-bedroom Town House	\$2,300.00	\$7,000.00
3-bedroom Town House	\$2,500.00	\$7,500.00
2-bedroom Apartments (A)	\$1,750.00	\$5,000.00
2-bedroom Apartments (B)	\$1,750.00	\$5,000.00
1-bedroom Apartments (A)	\$1,500.00	\$4,500.00
1-bedroom Apartments (B)	\$1,500.00	\$4,500.00
Studio (A)	\$1,100.00	\$4,500.00
Studio (B)	\$1,100.00	\$4,500.00
<b>Prada Street</b>		
3-bedroom Apartments	\$2,000.00	\$6,000.00
2-bedroom Apartments	\$1,650.00	\$5,000.00
1-bedroom Apartments	\$1,300.00	\$4,500.00
Studio	\$1,100.00	\$4,500.00

The following conditions, will apply to the rental units:

- Two months' rent to be payable in advance with one month's rent held as security against damages; and,
- tenants should be responsible for the maintenance and repair of their own units.

The Honourable Attorney-General and Minister for Legal Affairs has been directed to prepare a suitable tenancy agreement of execution.

Now that a substantial housing stock has been put in place, NHA will from 1986 be giving increased attention to the proper maintenance of these facilities including, for example, drainage works at Bon Air and Chaguanas and for this purpose adequate funds have been provided in the budget.

I turn, Mr. Speaker, to the very long outstanding matter of the regularisation of the squatting prob-

lem which was first adumbrated on December 2, 1977.

In establishing the Ministry of Housing and Resettlement I included among its responsibilities that of dealing positively with this matter.

Some Honourable Members will also recall that as Minister of Agriculture, Lands and Fisheries, as that ministry was then called, I tabled in this House on December 5, 1980 the report of the survey of the squatter population as contemplated by the announcement.

#### COMPLEX

There remained, however, a great deal to be done because, as we must all agree, this is a very complex issue with wide social ramifications, and it cannot be treated except with the utmost care.

For example, it is normal for each lessee to be given his own deed after a survey.

In the light of the numbers involved in this exercise the procedures had to be carefully considered.

At my request a committee of officials was appointed by the Honourable Attorney General to examine and advise on the mechanisms best suited for achieving the Government's intent.

On the basis of that report which was submitted in October 1985 Cabinet has now agreed to the following principles:

- The regularisation will be achieved by legislation;
- there shall be established a Tribunal operating from various centres throughout Trinidad and Tobago with responsibility for determining who are entitled to bene-

fit under the decision and with respect to what parcel of land;

- in its deliberation the Tribunal will be guided by Government records and by evidence adduced by the squatters themselves;

- the material date is December 2, 1977 and only persons who were in occupation on that date are to benefit;

- only persons who are citizens or legal residents of Trinidad and Tobago will be entitled to benefit;

- entitlement of benefit under the decision will be with reference only to occupation of residences actually constructed or in the process of construction on State lands on the material date; and,

- if a squatter in occupation on the material date has since died but occupation has been continued thereafter by the next of kin or other person able to establish a right to succession then such person would be entitled to benefit;

- surveys of all the properties in question will be carried out by or at the request of the Tribunal but at the cost of the beneficiary. It shall be the responsibility of the Tribunal to determine the extent of the area occupied by the beneficiary on the material date; and,

- beneficiaries shall be granted a 30-year lease with an option to renew for another 30 years. In any event, leases will only be granted on the finalisation of the survey of the premises.

#### PROVISIONS

The following provisions should be noted:

- No one who has squatted in a

housing unit constructed by the State or a statal Agency shall be entitled to benefit;

- where there has been no continuous occupation since the material date there shall be no entitlement to benefit;

- the Tribunal may, in specific instances, deem it necessary to resettle rather than regularise a squatting.

In such instances, the discretion of the Tribunal will be absolute and there will be no compensation payable for resettlement;

- the State shall have the right to first refusal in cases where a person who has benefited wishes to sell any interest in the subject land;

- the provision of infrastructure and services for squatter settlements should be developed on the basis of self help and by encouragement from the relevant Government ministries and agencies;

- the decision of the Tribunal on any matter within its jurisdiction shall be final and binding and not open to question in any court; and,

- the giving of false information to the Tribunal shall be made a summary offence.

As will be recognised persons entitled are squatting on lands of different values.

The remaining matter to be determined which is now being addressed is the quantum of the premium to be paid by a beneficiary and the period to be allowed for meeting such payment.

In addition to the premium when determined all beneficiaries will be charged a nominal rent of \$1 a year.

[31 Dec 85 p 7]

[Text]

#### CONSTRUCTION

IN RESPONSE to the invitation extended through my 1985 Budget Statement to building contractors to submit design, finance and construct proposals for

- The development of Government owned sites with Government equity being the value of the land; and,

- the construction of overpasses at various intersections.

About 40 proposals were received to design, construct and finance varied facilities located in and around Port-of-Spain and in San Fernando.

I take this opportunity to place on record Government's appreciation of the healthy response to its invitation.

#### Proposals

The proposals received were not, however, all uniform in nature.

Some simply did not fall within the ambit of the invitation; others accorded with our priorities but did not fully meet the parameters contemplated for implementation; there was another group which conformed with the priorities but in respect of which designs already exist for the specific project; finally there were those proposals which satisfied all criteria but for which Government is pursuing the option of financing from a multilateral lending agency.

Treating first with proposals in respect of which there are already designs, I wish to announce for general information that Government

will put these projects out to tender and the relevant documents will specify the minimum financing terms required.

Needless to say decisions on certain proposals will have to be deferred pending the outcome of negotiations with the multilateral funding agencies.

While on this subject of the construction industry, Mr. Speaker, I take the opportunity to dispel what appears to be a widely held belief that the practice of granting local contractors a preferential margin of 15 per cent on government contracts has been discontinued.

For the avoidance of doubt I wish to make it clear that this has always been and remains the stated policy of the Government.

A similar preference margin is accorded to local contractors in respect of projects funded by international agencies such as the Caribbean Development Bank, but this is all within the context of international competitive bidding which is an inescapable requirement of financing of projects by these agencies.

The fact is, however, that the local construction industry has established a capacity suited to the extremely high demand for construction services which characterised the period 1978 to 1982.

Now that domestic demand for such services cannot be reasonably expected to return to those levels a desirable alternative for the industry is to seek to win contracts overseas, a prospect which is no doubt enhanced by the experience gained at home in recent years.

To this end the Government will support and encourage local contractors to seek pre-qualification with international agencies of which Trinidad and Tobago is a member and will endeavour to assist them in improving their ability to compete.

Accordingly the DFC will be examining the possibility of providing suitable financing to local contractors competing for overseas contracts.

## HEALTH

In the field of health it is appropriate that I should mention two matters.

Implementation of the Mount Hope Medical Sciences Complex began on January 1, 1981. All the buildings and facilities have been substantially completed and have been recently accepted by the Mount Hope Medical Complex Task Force

which has been responsible for the management of the project.

The Complex, which is sited on approximately 138 acres of land, comprises 72 buildings housing the following main facilities:

- A Teaching Hospital consisting of: an adult hospital of 334 beds; a children's hospital of 210 beds and 14 Operating Theatres;

- a Medical School which will have an annual intake of approximately 65 students;

- a Dental School to accommodate 25 students annually;

- a Veterinary School with provision for 20 students annually;

- a School of Advanced Nursing catering for 12 students annually; and,

- a School of Pharmacy with an annual intake of 12 students.

There are several teaching or learning facilities which will be shared by the many schools.

Arrangements with the University of the West Indies for the recruitment of academic staff are well in hand and the hospitals and schools at the complex will become functional on a phased basis during 1986.

A provision of \$55.5 million has been made in this Budget to meet the associated cost of operations.

In due course there will be a ceremonial opening of the Complex and the opportunity taken to name it appropriately.

Mr. Speaker, as you are aware, I am on record voicing the Government's concern at the growing evidence of drug abuse in Trinidad and Tobago, especially among young people.

As early as April 1984 we took the initiative and appointed a Commission of Enquiry into Drug Abuse in Trinidad and Tobago.

In its determination to reverse this unwholesome development, the Government without awaiting the Report of the said Commission and without prejudice thereto introduced into this Honourable House stringent legislative measures with the objective of including the widest range of drugs within the ambit of the legislation, increasing the penalties for trafficking, dealing with criminal liability of corporate entities and providing for confiscation of the property acquired out of the proceeds of trafficking in drugs.

## A Paper

During the year the Ministry of Health and Environment also prepared and presented for consideration a paper entitled "Report on Alcohol and Drug Abuse Prevention — A Proposed Plan of Action".

The Committee which prepared the report established the need for a Comprehensive Alcohol and Drug Abuse Prevention Programme.

In pursuance of this, Cabinet has accepted the principal recommendations of the committee, namely, the establishment of a Drug Abuse Treatment Centre situated in the Caura Hospital with accommodation for 29 persons.

Though the two centres will function as independent facilities the placing of both in the same location will allow for the most efficient use of staff and physical resources.

Cabinet also accepted proposals for the required additional specialist staff and agreed to the appointment of a National Advisory Committee on Substance Abuse to which members of the public and officials of relevant ministries will be appointed.

[1 Jan 86 p 9]

## [Text]

THE terms of reference of the committee include:

- evaluate and co-ordinate existing community resources and projects that form part of the Substance Abuse Prevention Programme;

- establish data gathering and surveillance systems and prepare detailed schedules for implementation of Prevention Programme;

- promote and develop appropriate drug education and information systems and co-ordinate and develop training for various components of the overall Prevention Programme;

- co-ordinate and guide Government's efforts to control alcohol and drug abuse in Trinidad and Tobago;

- oversee the country's responsibility

as a signatory to the Single Convention on Narcotic Drugs 1961, and the Convention on Psychotropic Substances, 1971; and,

- ensure the effective implementation and enforcement of control strategies by all ministries.

Cabinet further agreed to make a sum available for grant of subventions to non-governmental organisations and an appropriate provision has been made accordingly.

## Education:

In early 1984, the Ministry of Education undertook an assessment of the Plan for Educational Development in Trinidad and Tobago (1968-1983).

Among the major achievements

highlighted in this assessment were:

- The expansion of Secondary Education in Trinidad and Tobago, which has resulted in the provision of places for approximately 70 per cent of the 11-plus age group;

- the diversification of the secondary school curriculum to bridge the gap between the worlds of school and work;

- the introduction of a new primary school syllabus in 1975; and,

- the attainment of a 100 per cent fully trained primary teaching personnel.

## Assessment

The assessment also noted some

shortcomings of the system. It was envisaged that the assessment of the first plan would help and stimulate interested organisations, researchers, professional bodies and other interested personnel to propose new ideas in respect of the development of a new plan.

During the latter half of 1984, the Ministry of Education invited memoranda from the public for the development of a new plan.

A wide cross section of individuals and organisations responded. Following this, the period October 1984 to February 1985 witnessed a number of consultations and meetings, formal and informal, between the Ministry of Education and various organisations on the subject matter of the new plan.

It was against this background of conferences, memoranda, meetings and research projects that the Draft Education Plan (1985-1990) was prepared.

Finally, the Ministry of Education organised a National Consultation on the Draft Education Plan at the Convention Centre, Chaguaramas, on September 30 and October 1, 1985, over which I presided.

The Ministry of Education has now revised the draft in the light of the criticisms and the many valuable suggestions made at the Consultation.

Cabinet has now approved the revised Draft Plan which has been laid along with the Budget documents.

I take this opportunity, Mr. Speaker, to commend the population on its wholehearted participation in the preparatory work on the vital matter of planning for the educational development of the nation's children.

This was a true exercise in participatory democracy, and once again demonstrated our capacity as a people to reach consensus on national issues through dialogue.

On a related note, Government is cognisant of the increasing burden on parents of purchasing the wide range of texts of schoolbooks currently in use throughout our schools.

It is therefore proposed to standardise the textbooks prescribed, ensuring in the process that the best materials are used in the classrooms.

Already the Ministry of Education has established a Standing Committee for the Selection of Textbooks for Schools and this Committee is at work.

In order to accelerate implementation of this proposal the Ministry's Committee will be instructed to expedite its work so as to permit publication of the approved lists of texts by September 30, 1986.

### Financial Sector

The sustained and rapid growth of the economy for most of the last decade was fuelled by the infusion of substantial liquidity into the banking system as a result of higher expenditure by the Government.

The increased flow of savings in the

economy in addition to a growing demand for a wider range of services than traditionally provided by the banks, stimulated the growth of many non-bank financial intermediaries.

Some of these institutions, spawned as they were in an environment of boom, have not been able to adapt to the changed economic circumstances.

This is a major reason for the problems facing several non-banks which have experienced difficulty in honouring obligations to depositors.

The origins of and possible solutions to this threat to the health of the financial system have been exhaustively studied at the official level.

As a result, legislation which has been tabled in this House seeks to strengthen the regulatory powers of the Central Bank and to establish a system of deposit insurance for the protection of depositors.

### Wider Powers

Specifically it is proposed, among other things, to give to the Central Bank wider powers of investigation into the affairs of financial institutions and their affiliated companies and in clearly defined circumstances to actually take control of the property and business of such institutions and to terminate the services of directors and employees.

The proposed system of deposit insurance will provide coverage for depositors up to a maximum of \$50,000 per depositor in any one institution.

Insurance coverage will benefit only those deposits which have been held with an insured institution for a minimum period of one year after the legislation comes into operation save where an institution is or has been closed by or with the approval of the Central Bank.

All deposit-taking institutions, that is to say both commercial banks and non bank financial institutions, will be required by law to participate in the insurance arrangement.

Let me make it clear, for the benefit of the public, that the legislation when enacted will apply to those institutions which are currently the subject of much public concern.

In the meantime, however, it is imperative that business activity is not stifled for lack of financing in adequate amounts and on suitable terms.

This is particularly true in respect of medium and long term financing which is so necessary for the expansion of the productive base of the economy and increasing the stock of housing.

Ironically, however, the commercial banks whose deposits account for most of the financial savings of the national community are not well placed to provide long term financing and, in fact, devote only a small proportion of their resources to lending on such terms.

It is true that the banks have had to take several industrial and com-

mercial clients into intensive care.

But, quite apart from rescheduling the obligations of existing borrowers it is my submission that the banks can perhaps be more aggressive in promoting new ventures.

This is not to imply that in so doing they should disregard the basic principle of prudence.

The cost of servicing short term debt used to finance long term expansion is a burdensome drain on the cash resources of an enterprise.

### Long Term

Equity raised on the Stock Exchange provides an avenue of escape from heavy debt service.

Unfortunately, the potential of the Stock Exchange in this regard has hardly been tapped to date and in today's sluggish market large amounts of equity cannot be readily raised to finance major expansion of enterprises.

The fact remains, though, that a primary function of a financial system is to convert the savings of the community into a form well-suited to the needs of investors, particularly for medium and long term financing.

The Government, too, must be able to borrow on sufficiently long maturities from the domestic market in order to finance the basic social and economic infrastructure so vital to the development of the country.

These long term financing needs of the public and private sectors are the background against which the Trinidad and Tobago Stock Exchange (TTSE) with the assistance of the Central Bank prepared an outline study earlier this year on the development of a money and bond market in Trinidad and Tobago.

The study touched on some difficult issues which must be squarely addressed if the embryonic capital market is to grow into a strong and healthy institution filling a pivotal role in the financing of economic development in our country.

Work will be continued in 1986 towards finalisation of all the necessary planning, including legislative measures if necessary, with a view to commencing operations of such a market as early as possible.

The successful establishment of a money and bond market can be expected to put downward pressure on the cost of financing charged by banks and, equally, to force them to be more competitive in the interest rates offered to depositors.

Although some progress has been made in lowering interest rates and other bank charges this year much more can be achieved in this area.

The Central Bank will continue its efforts to influence the banks and may well have a greater chance of success by means of the mechanism of trading bonds and other suitable instruments in the capital market.

In any event it may well be necessary to introduce, for the protection of the public, Truth in Lending legislation with the objective of requiring lenders to disclose the full and true cost of loans.

Mr. Speaker, the provision of mortgage finance is an element in the functioning of the financial system which I also wish to highlight.

The Government has over the years placed great emphasis on housing for low and middle income families.

Substantial funds have been provided to the NHA and TTMF for mortgage loans on highly subsidised interest terms ranging from one per cent to nine per cent and for periods as long as thirty years.

The National Insurance Board (NIB) has also been a major source of long term mortgage financing at moderate and fixed rates of interest.

Commercial lenders, on the other hand, while extending maturity periods to as much as 30 years, continue to provide residential mortgages at rates ranging from 12 per cent to 15 per cent.

Moreover, these interest rates are often subject to change at very short notice and the cost of borrowing is raised by front end charges such as finder's, valuation and commitment fees.

### Concerned

The Government, though naturally concerned at the high cost of commercial mortgages, does not wish to set mortgage lending terms by fiat.

It is confidently anticipated that the Home Mortgage Bank (HMB) after it starts operations early in 1986 will gradually influence the terms and other lending practices of the commercial lenders.

An additional benefit which could arise from the existence of the Home Mortgage Bank is an increase of the flow of savings into mortgage lending, particularly if suitable arrangements can be made for the establishment of the money and bond market to which I referred earlier.

Mr. Speaker, in the four previous Budget Statements which I delivered in this Parliament, I consistently appealed to the population to accept that the only durable solution to the economic problems confronting us required the exercise of the tough option.

This involved the curbing of our expectations and the dispensing with some of the excesses which had crept into our life style.

Through it all, our standard of living remains relatively high. As I said earlier in this Statement there have been inescapable costs attendant on the exercise of this option.

But what is more important, I believe, is that we have firmly consolidated the gains of the previous decade.

I remain convinced that had we attempted the alternative route of spending our way out of the difficulties — without having earned the income to spend — we would have suffered balance of payments and external debt problems and intolerable inflation at a cost far higher than we have actually borne and with the future substantially mortgaged.

In fact stimulation of increased supply of goods and services must be seen in a long term context especially in countries such as ours where there is need to transform the structure of the economy.

In retrospect it is evident that successive governments formed by the party which I have the honour to lead have encouraged diversification of the productive base of the economy.

In the fifties and sixties we sought to build up light manufacturing industries. In the 1970s and into the early 1980s we have encouraged and participated directly in the creation of new industries designed to utilise the country's abundant energy resources.

Indeed, it is only in the last year that some of those new ventures have come into operation.

I have already adduced evidence of our successful efforts to stimulate new production in the oil industry.

The range of incentives introduced in recent years to encourage modernisation and investment in new plant and equipment is well known.

Mr. Speaker, it is not that in the face of economic difficulties we have ignored the importance of expanding the productive capacity and output of the country, but simply that the times demanded greater attention to managing demand.

### Necessity

Now, however, that the society with commendable maturity, has accepted the necessity to pitch its demand, especially for imports, at a more realistic level, the timing is appropriate for more concerted action to boost production.

There is clearly need to generate activity which will create new employment.

But a significant increase in permanent jobs requires long term investment in productive activities including services.

At a time when public sector expenditure is constrained, such a thrust must necessarily have as its motive force private sector initiative and capital, and must be aimed at export markets.

Mr. Speaker, we all have a role to play in promoting the potential of Trinidad and Tobago as a location for investment.

The country has not only a tradition of political stability but is also well endowed with a skilled work force experienced in modern industrial pro-

cesses, and through arrangements such as the Caribbean Basin Initiative (CBI) and Lome has preferential access to the largest markets.

In pursuit of this objective, I earlier this year led a team which was accompanied by a group of businessmen on a tour of the United Kingdom and the Far East, and only last month I addressed the Annual Conference on Trade, Investment and Development in the Caribbean Basin held in Miami.

### Contacts

As previously reported, we established contacts for prospective joint ventures in an extensive range of activities and for the marketing of the output of our energy-based industries.

On my return Cabinet appointed a Committee of Ministers to monitor progress on the matters initiated during this tour and I can now provide an up-date on some of the developments which have since taken place.

Several industrial projects have been further advanced. In one case a joint venture agreement has been signed between a South Korean private firm and a Trinidad and Tobago counterpart.

A manufacturing venture to supply domestic and export markets involving an \$8 million investment and about 60 permanent jobs is likely to be established.

A third project with an investment of some \$4 million and potential for about 90 jobs has been firmed up. Another four projects, including some in the tourism sector, are being actively pursued.

It will also be recalled that the Government of Trinidad and Tobago signed agreements for technical, scientific and economic co-operation with the Governments of the People's Republic of China, the Republic of India and the Republic of Korea.

There has already been a follow-up visit by an investment mission from the Republic of Korea and a mission from the People's Republic of China is due early in 1986.

In addition, the Government of Japan sent a survey mission earlier this month and this is to be followed by an investment mission in 1986.

### Investments

Whatever specific investments materialise from our promotional efforts overseas and from other initiatives it is necessary to find innovative forms of employment and income generation particularly at the community level.

In this regard, systematic commercialisation of the traditional handicraft activities which have been fostered over the years offers attractive possibilities.

The Demas Task Force had in fact identified the opportunity for stimulating "economic development

through the promotion and support of community based employment generating activities especially when use is made of local resources materials."

It is clear that the basic supports for the successful implementation of such a programme to produce craft goods on a commercial scale are finance and marketing together with assistance in design and production techniques.

Already some action along these

lines has been initiated through the Family Fairs of the Ministry of Community Development and Local Government, the Best Village Handicraft Exhibition and the Development Finance Corporation in its craft market.

Experts in design and marketing provided by the Commonwealth Fund for Technical Co-operation have in 1985 conducted surveys and studies on the capability of the existing handicraft industry as a result of which some 60 prototypes have been selected.

[3 Jan 86 p 7]

### [Text]

The Export Development Corporation (EDC) is seeking to extend the sale of these products to foreign markets.

If the arts and crafts are to provide a livelihood for reasonable numbers of the population financial assistance to bridge the gap between sourcing raw materials, production, and sales is essential.

Already the DFC and the IDC have provided some financing through their soft windows for small business and these will continue.

In addition, I propose to make available a sum of \$250,000 to assist in making this programme more systematic, orderly, regular and, in time, larger in scale.

Clearly this community effort must not be left to Government financial support alone and the private and public sector commercial organisations in their service clubs or in their own right must come forward and play their part.

As necessary as it is to use the arts and crafts to generate jobs and incomes in the homes and in our communities our current standard of living can only be maintained through the invigoration of manufacturing and services.

The economy is well placed once more for sustained growth, consumption having been dampened and the apparatus put in place to stimulate exports.

### Process

The process of diversification and development of a strong export sector requires carefully directed effort over a long period of time within a consistent framework of clearly defined goals and objectives.

This is the rationale for overall multi-year economic planning such as the Development Plan for the period 1983 to 1986 prepared by the Demas Task Force.

It is now necessary to prepare a detailed plan into the nineties and in due course I shall announce the arrangements for such an exercise.

However, the direction in which we must orient the economy is clear and the policies to be implemented through the 1986 Budget are designed precisely to set this process in motion.

### Specific

I turn now to specific fiscal measures which I propose to implement in 1986.

These measures are in addition to various policy initiatives and other actions which I have announced earlier in this Statement when dealing with sectoral issues.

### Measures to stimulate Employment

The strategy of this Budget is to increase output and employment. I do not however intend to leave it entirely to market forces to bring this about but will take specific measures to generate economic activity and encourage the creation of new jobs.

An Employment Allowance first introduced in 1974, with retrospective effect to 1972, has not been claimed to any extent by business, apparently because of restrictions on eligibility in terms of size of enterprise, the nature of the business, and the perceived inadequacy of the size of the allowance as well as of the procedure for making claims.

With effect from fiscal year 1986, I propose to introduce the following changes in respect of the employment allowance:

- All enterprises, regardless of their size and area of activity, will qualify for the allowance;
- claims for the allowance will be applicable only to jobs which carry a salary not exceeding \$4,000 per month; and
- the allowance will be set at a rate of 150 per cent of the actual wage paid in respect of net new employees, other than family members, engaged on or after January 1, 1986.

### Intention

It is our intention to extend the benefit of this allowance to include the

retraining and redeployment of workers in lieu of retrenchment, the precise mechanisms for effecting any such arrangement to be devised in tripartite discussions under the aegis of the Ministry of Labour, Social Security and Co-operatives.

The youth in particular merit special consideration, so many having completed school and joined the job market in recent times.

In addition to the incentive of the employment allowance I propose to allocate an initial sum of \$1 million which will be administered by the Ministry of Sport, Culture and Youth Affairs to assist in the stimulation of self employment for this group of citizens, either individually or as groups.

This sum will be administered by the Ministry under guidelines to be determined.

### MEASURES TO STIMULATE ECONOMIC ACTIVITY

In keeping with its undertaking, Government has decided to implement with effect from January 1, 1986 the Nassau Accord which provides for a surcharge of 15 per cent on specified imports from extra-regional sources as a means of protecting industry in Caricom countries.

This measure is expected to yield \$19.3 million.

### Removal

In view of this action and as a means of further stimulating local industry, I propose the removal of the Stamp Duty of 12 per cent on bills of entry in respect of raw materials and other inputs into industry, including agro-industry.

As Honourable Members will be aware agricultural inputs are already exempt. In addition the stamp duty on pre-recorded cinematograph films will be removed.

This measure will cost the Exchequer \$66.3 million.

The Purchase Tax of ten per cent



on packaging materials used by local industry will be removed.

This measure will result in a loss of revenue of about \$5.3 million.

The fee of \$200 for the extension of landing certificates in respect of visitors will be abolished.

The system of taxation of individuals and corporations is an important factor which conditions the general environment of economic activity.

Government considers it useful from time to time to review the system of taxation and has, in the past, utilised the vehicle of the tripartite fiscal review committee for this purpose.

Although the last such review was completed as recently as 1981, general economic conditions have changed sufficiently to warrant another systematic examination of the tax system in Trinidad and Tobago.

### Incidence

I propose to appoint such a Committee under the Chairmanship of Mr. Frank Barsotti, Permanent Secretary in the Ministry of Finance and Planning to review the incidence of taxation prevailing in Trinidad and Tobago, both direct and indirect, and to make recommendations.

The names of the other members of the Committee will be announced after appropriate consultations and the Committee will be required to report by March 31, 1986.

### MEASURES TO INCREASE SAVINGS

The Government has in earlier Budgets introduced incentives to stimulate savings, most recently the National Tax Free Savings Bonds. In order to further stimulate savings, I propose:

- to increase the limit of the tax exempt interest earned on savings and deposit accounts from \$3,000 to \$5,000 per year;

- to extend this facility to deposits with non-bank financial institutions and building societies; and,

- to grant to purchasers of units

from the Unit Trust Corporation a deduction of \$2,500 per year in respect of the purchase of additional units, the same facility as applies to purchases of shares in Credit Unions and Co-operative Societies.

### Interest

Mr. Speaker, in relation to the purchase of shares in Credit Unions and Co-operative Societies, it is of interest to note that in respect of 1984 income a total of almost 53,000 claims for a sum of almost \$80 million have been made to the Board of Inland Revenue.

### TAXES ON CONSUMPTION: PURCHASE TAX

In keeping with policy enunciated in recent years, I propose to continue the process of rationalisation of the number of rates of this tax.

The new rate structure will encompass four ad valorem rates, namely ten per cent, 30 per cent, 50 per cent and 75 per cent instead of the present six rates, namely, ten per cent, 15 per cent, 30 per cent, 45 per cent, 50 per cent and 75 per cent.

In the process, all goods now subject to tax at the rate of 15 per cent will be taxed at the lowest rate, that is ten per cent and the few items, mainly alcoholic beverages, currently taxed at the rate of 45 per cent will attract tax at the rate of 50 per cent.

This action will result in a net gain in revenue of \$3.5 million.

I propose to extend the coverage of the purchase tax to include various goods which in an earlier period were subject to this tax. The rate to be applied is 10 per cent.

The purchase tax on cigarettes and other tobacco products which is levied at a specific rate will also be increased.

A full list and details will be published in the Provisional Collection of Taxes Order, (No. 2) 1985. It is expected that the additional revenue yield of these measures will be \$78.3 million.

The modifications of the purchase tax regime are consistent with the principles recommended by a Techni-

cal Assistance Mission from the International Monetary fund which visited Trinidad and Tobago in 1983 at the invitation of the Government to examine the form of general sales tax most appropriate to our circumstances.

The modifications to the purchase tax introduced represent a progressive movement towards full implementation of a general sales tax.

To further reinforce these advances, steps will be taken during 1986 to develop capability in the Board of Inland Revenue to take over administration of this tax from the Customs and Excise Division in 1987.

In the meantime, appropriate legislation will be brought to Parliament to enforce collections of purchase tax.

### TAXES ON SELECTED SERVICES

In anticipation of the introduction of a general sales tax, certain services have been brought within the tax net in recent years. In continuation of this process, I propose to introduce a tax at the rate of 10 per cent on the sales value of overseas tour packages and on the rental of motor vehicles except in the case of bona fide tourists.

This measure is expected to yield \$1.0 million.

### MISCELLANEOUS TAXES

The purchase tax of 50 per cent on imported live horses will be abolished. In response to representations made, the validity of which has been duly verified, I propose to reduce the levy on Tote, Forecast and Trifecta betting to the following rates:

Trinidad	ten per cent
Tobago	2.5 per cent

A variable levy on imported milk and milk products will be set by the Minister of Industry, Commerce and Consumer Affairs, the proceeds to be applied to the support of the domestic dairy industry.

[4 Jan 86 p 7]

[Text]

In setting the levy, the Minister will take into account the import price of milk products and the likely effect of the levy on their retail price.

Legislation to give effect to this will be brought before Honourable Members after appropriate consultation with the relevant interest groups.

### LAND AND BUILDING TAXES

The Government is mindful of the rehabilitation of cocoa, coffee

and citrus plantations and of the extent to which private forestry is poised to make a contribution to the national economy.

While we acted last year to bring about some relief from the new rates of land and building taxes, the entire question will be referred to the Fiscal Review Committee for recommendations as to the preferred method of taxation of large plantations in productive forestry, or agricultural use.



## MEASURES TO PROTECT PENSIONERS AND SENIOR CITIZENS

Mr. Speaker, the society has an obligation to care for its senior citizens. In recognition of this, the monthly pensions of all categories of public service pensioners who retired on or before December 31, 1983 will be increased with effect from January 1, 1986 as follows:

Basic Pension per month	Monthly Increase
Up to \$200	\$250
\$201 to \$1,000	\$200
\$1,001 to \$1,500	\$175
\$1,501 to \$2,500	\$150
Above \$2,500	\$100

More than 9,400 retired public officers will benefit from this measure which is estimated to cost \$21.7 million per annum and will become effective from January 1, 1986.

Part of this cost will be offset by the termination of existing arrangements under which retired public officers residing overseas have been receiving the Cost of Living Allowance intended to cushion increases in the cost of living in Trinidad and Tobago.

In order to ensure that these increases in pension payment do not attract additional income tax the Special Personal Allowance which pensioners now enjoy will be increased from \$2,500 to \$2,750.

### Increases

Recipients of Old Age Pensions and Public Assistance will also be given increases on their basic pensions and Public Assistance with effect from January 1, 1986 as follows:

Old Age Pension	\$25.00 per month increase
Public Assistance — for Adults	\$10.00 per month increase
— for Children	\$ 8.00 per month increase

These increases will be in addition to:

Existing payments of grants for necessitous children who will also be receiving as students of primary or secondary schools the usual book and uniform grants;

•the food subsidy of \$50.00 per month; and

•the eligibility of all recipients of old age pension and public assistance to receive free bus passes.

This measure will benefit over 54,000 old age pensioners and over 34,000 recipients of Public Assistance and is estimated to cost \$20.1 million.

### Free passes

The eligibility to receive free bus passes now enjoyed by all recipients of old age pensions and public assistance

will be extended to all persons over the age of 65.

### EXCHANGE RATE

I turn finally, Mr. Speaker, to the issue of the exchange rate. The economic fortunes of the country have traditionally hinged on external market conditions for primary products, most recently crude oil which has been our lifeline.

The unprecedented prosperity which the country has enjoyed since 1974 was made possible by the quadrupling of oil prices in January of that year.

### Boom

It is true that we had no influence on the developments in the international market; it is equally true, however, that it was only through judicious management of our domestic affairs that we were able to extract maximum benefit for the entire national community from the fortuitous external events.

During the period of boom, in order to facilitate the new export thrust, we put in place the necessary infrastructure, namely, communication links, roads, ports, water, electricity and gas transmission lines and further developed the skills of our people.

The Government itself invested directly in heavy energy-based industry, thereby laying the groundwork for production in downstream activities.

This enhanced infrastructure brought with it wider social benefits where it complemented consumption and improved amenities in the communities and, not least, it generated jobs during construction and permanently thereafter.

Since 1982 oil prices have declined in a manner which has severely eroded the real income of the community; but even though there has been considerable dampening of expectations, the reality is that the adjustment to costs, represented by profits, rents, salaries and wages has not been commensurate with the decline in real income.

The Government has over the years sought in numerous ways — by incentives, tripartite discussions, productivity promotion, and by other measures — to facilitate the growth of production and exports.

Competitiveness, or rather the lack of it, is our basic problem and this no doubt is what has led to the incessant call for protection from imports, even those from Caricom countries.

I submit that the basic difficulty is that our costs are too high in relation to those of our competitors. This is not surprising, given the upward trend in recent years of the external value of the Trinidad and Tobago dollar.

### Noted

Between June 1976 and July 1985,

the real effective exchange rate appreciated by 80 per cent.

It is to be carefully noted, however, that most of this appreciation took place after 1982, a period during which our inflation rate was higher and our productivity gains lower than in the case of our major trading partners. Moreover, the US dollar to which the TT dollar is pegged appreciated against other major currencies by almost 40 per cent since the beginning of 1982.

A certain mystique has always surrounded the exchange rate, even in large industrialised countries, particularly during the years from 1945 to 1972. In that period, most countries operated a regime of fixed exchange rates within a framework which provided for changes in such rates only in the case of a fundamental balance of payments disequilibrium.

When the rigidity of that system of fixed exchange rates threatened the very existence of the international economic order which it underpinned, then and only then in early 1973 was there sufficient political will to treat it for what it is, namely, a man-made institution designed to facilitate trade. Many developing countries peg their currency to one of the major traded currencies such as the US dollar or to a basket of those currencies.

### Link

In the circumstances, particularly where the link is to a single currency, the exchange rate floats upwards and downwards regardless of the needs of the domestic economy. Rational economic management demands that the exchange rate be demystified and that it be set at a level which will further the aims of domestic economic policy.

There are substantial benefits to be derived from an adjustment of the exchange rate of the TT dollar at the present time.

First and foremost this will restore a measure of competitiveness to industry and tourism.

Secondly, it would be a fillip to investment, particularly that financed from foreign sources, since the perception of an over-valued currency might well cause investors to adopt a wait and see attitude.

Increased competitiveness and investment will lead to higher production, expanded exports and more jobs, with consequent positive impact on Government revenues and therefore the wherewithal for increased public expenditure.

There are, however, some inevitable costs, notably the lowering of the ability of citizens to purchase imports.

### Edge

In order to achieve maximum benefit from an exchange rate adjustment it is imperative that costs of essentials be contained. The competitive

edge sought will not otherwise be gained.

So conscious are we of this imperative that the Government will go to the fullest lengths to contain costs.

In these circumstances, it is my considered view that the most advantageous way by which this can be achieved is the operation of a dual rate. There will be no change in the rate applicable to a range of foods, drugs, agricultural inputs and school books; in fact, most of these items have, for purposes of containing the cost of living, been exempt from the stamp duty on bills of entry levied in 1985.

A full list will be published, and the items brought under mandatory price controls at the existing prices. The Government is prepared to legislate a freeze of these prices should this prove necessary.

The Government is also determined to contain the price of energy and to this end will instruct the nationally-owned oil companies to keep petrol, kerosene, LPG and all other sources of energy at prices prevailing today.

With no case for increase on this account in the price of basics, energy and, by implication transportation, the impact of this measure on the cost of living will be minimal. We have taken care to ensure that price increases will be contained.

The national community must on its part, in order to reap the full benefits which we are confident that this measure can bring, contribute to the collective effort by restraint of profit margins, levels of rent and wage and salary increases.

Mr. Speaker, the 10 per cent tax on the sale of foreign exchange is forthwith removed and, with immediate effect, the exchange rate will be set at (IT) \$3.60 per US dollar except for the items referred to earlier, to which the old rate of \$2.40 to the US dollar will apply.

As a result of the measures which I have outlined, recurrent revenue will

rise by a net sum of \$1,680.5 million and recurrent expenditure will rise by \$335.9 million. I also propose to move in Finance Committee an addition to recurrent expenditure of \$19.5 million.

Consequent on these adjustments a surplus of \$857.8 million will be achieved on current account which will be applied towards financing our capital expenditure of \$2,067.9 million.

### Summary

In addition, capital receipts are expected to yield \$196.2 million so that \$1,054.0 million or some 51.0 per cent of capital expenditure will be financed from our own resources.

The balance of \$1,013.9 million will be met from the net proceeds of borrowing of which foreign loans will account for \$829.5 million.

Mr. Speaker, in summary, the philosophy which informs this Statement, and indeed the policies which we pursued during the last four years is that, the economic circumstances which confronted us, even at the outset of this administration, required of the Government a determination to steer clear from the deceptively easy path and to select the option which would constitute the only durable solution.

I have demonstrated that the national community has been able to bring its expectations into closer congruence with the Nation's resources, so that today the picture of our external position is far healthier than it was three years ago. The policies of the Government over this period have not been exclusively restrictive.

Instead we preserved a balance between restraint on demand and encouragement of growth as petroleum, domestic agriculture, export oriented light manufacturing and tourism clearly show. We are now poised to further increase the stimuli to growth, exercising care, however, to avoid overdoing it.

This is the task to which the Government dedicates itself in 1986.

/9274

CSO: 3298/286

TEXT OF OPPOSITION LEADER'S RESPONSE ON 1986 BUDGET

Port-of-Spain TRINIDAD GUARDIAN in English 6-10 Jan 86 pp 7, 9

[Text of response to Prime Minister Chambers' 1986 budget speech by Leader of the Opposition Basdeo Panday in the House of Representatives on 20 December 1985]

[Text]

MUCH HAS been written since the Prime Minister and Minister of Finance delivered his 1986 Budget Speech in this House on Tuesday last. Many views have been expressed — some bad and some worse.

Despite the variety of speculations made by the commentators, there is one thing, and one thing only, of which you can be absolutely sure, and that is, that this Budget, like the one before it, is a colossal hoax — an attempt to perpetrate yet another fraud upon the population.

### Response

In my response to the Prime Minister's 1985 Budget, I told the country on Monday, January 14, 1985, that that Budget was the work of a con-man.

My comment on 1986 Budget is that this one is an act of desperation by a con-man who is now a little more experienced in his art of deception.

But, then again, I ought not to be too surprised. The entire country has come to expect nothing better from the Prime Minister.

Credibility seems to be an asset that has persistently eluded him. The problem now for all is how can we believe anything he says?

In order to emphasise my point I wish to draw to the attention of those so mercilessly waded into us when we made certain comments on the 1985 Budget.

On that occasion I said that 1985 Budget was a bundle of contradictions in which specific proposals ran contrary to stated objectives.

### Major thrust

One of the major thrust of the 1985

Budget was a proposed export drive. We asked the Government: How can you talk of an export drive on the one hand and on the other hand impose a 12 per cent stamp duty on bills of entry plus a ten per cent levy on foreign exchange for business travel?

Wouldn't the proposal frustrate the objective? All we got from the other side were smirks and sniggering laughter.

That proposal of a 12 per cent stamp duty was expected to yield revenue of \$427.3 million. How much did it eventually yield? A mere \$176.7 million.

We told the Government that its anticipated revenues from personal income tax would not materialise.

We warned that there would be a tremendous shortfall because their proposal in that Budget would cause mass retrenchment and rising unemployment.

They responded by saying that they would widen the tax net to catch the self-employed—even domestics — and so raise additional revenue from this source by \$300 million.

The shortfall in revenue from income tax was in fact \$773.1 million.

We told them that they would kill off most of the video clubs with their proposed annual licence fee of \$7,500. But they would not listen. How much of the expected \$1.8 million have they collected? They do not say.

### Killed off

The tote and forecast levy on horse-racing plus the 50 per cent purchase tax on live horses have all but killed off the horse-racing industry.

They expected a yield of \$11 million from the levy. I would like to know how much was in fact collected.

That proposal did not even make

horse sense. The removal of 50 per cent purchase tax on live horses at this stage is the best example I have yet seen of closing the stable door after the horse has died.

I quote again from the 1985 Budget Speech. This is the Prime Minister speaking:

"The fiscal measures which I have enumerated are estimated to yield \$1,239 million. On the basis of this effort the recurrent budget, including amendments to be moved in Finance Committee, will yield a surplus of \$539.4 million as its contribution to financing of capital expenditure of \$1,744.5 million.

In addition the Government expects capital receipts of \$261.9 million principally from the repayment of loans made in previous years.

Accordingly, 45.9 per cent of the capital programme will be financed from our own resources. The balance of \$943.2 million will be met from net borrowing, both domestic and foreign of which the latter is projected to be \$685 million." (Page 97).

Put in simple language the total revenue anticipated for 1985 was \$8,905.2 million and based on that figure the expenditure should have been \$8,909.6 million.

That was the rhetoric. Now let's look at the reality. Revenues actually realised for 1985 was \$7,324.7 million, a shortfall of \$1,578.6 million; and total expenditure was, in fact, \$8,106.1 million. Since expenditure exceeded income by \$781.4 million.

I would like to know how that deficit was financed. The borrowing plans did not materialise either and fell short by \$539.8 million because nobody in their right senses were prepared to lend a corrupt regime any substantial

sum except at exorbitant rates of interest.

At one time they had even thought for borrowing, and thereby laundering, hot money from the international drug pushers.

The result of all this was that the Budget which was presented to this nation by the Hon. Prime Minister on

January 9, 1985, was not the Budget upon which they in fact operated the country. It was a complete hoax. Why should we believe him now?

Let us look at some of the promises that were made in the 1985 Budget (page 11):

- The reduction, and in some cases, elimination of subsidies on products such as gasoline, cement, flour, rice, cooking oil and livestock feed." He did that!

- Higher tariffs in respect of electricity, telephones and public transport..." He did that!

- Higher levels of indirect taxation on consumer items." He did that.

- Reduction of government expenditure." He did that!

Those are the ones that hurt. He did those!

## Wide range

He did mention in his 1985 Budget that "an economy as increasingly sophisticated as Trinidad and Tobago's must have a well-functioning financial system capable of offering a wide range of services to industrial and commercial enterprises..."

To this end and in order to ensure continued public confidence in financial institutions, we are finalising proposals for revision of the law, which among other things, will afford depositors greater protection." (Page 21).

He did not do that one! 1985 has come and gone and that legislation has not yet been passed.

He promised to do something about rising prices. I quote again from the 1985 Budget: (Page 27).

"It is against this background (of rising prices) that the Government has been reviewing the steps it should take to prevent unwarranted price increases."

## Cheap

Having set up a National Prices Watch that has been watching prices rise, the Prime Minister is still reviewing the steps. But a year ago the talk was cheap. Listen to this:

"This does not however, mean that if there were a threat of unreasonable price increases which cannot be justified by circumstances, Government would not take strong action to protect the interests of the community as a whole." (Page 28).

The strongest action taken so far is an advertisement on the Television in which a talking owl is window shopping

before making a purchase.

But when it comes to corrupt dealing with their own friends they do not hesitate to set up a monopoly even if it means higher prices. I refer to the monopoly you have granted to Trinidad Textiles.

I shall have more to say on this at another time. In his 1985 Budget Speech the Prime Minister recognised that "there is an urgent need to reassess our policy towards foreign investment as recognised by the National Economic Planning Commission" and that "although official policy clearly endorses foreign investment, the procedures and mechanisms in use can effectively discourage investors."

But he lamented: "The committee has not yet submitted its report." (Page 31).

How can that "Committee" (sic) of which the Prime Minister is Chairman submit its report when it has not met since 1981.

When we suggested that the export drive would fail unless our manufacturers had something to export which was in demand and at competitive prices, and we should, therefore, look at the development of indigenous products, we suggested an annual inventors and innovators competition.

The Prime Minister responded by saying that early attention was being given to "the establishment of a Science Park with the characteristics of an export processing zone, dedicated to the development of high technology in Trinidad and Tobago." (Page 34).

May I be so presumptuous as to ask where is the Science Park located? Is it somewhere in Trinidad and Tobago or did we forget it in China on the last trip.

What has happened to the promise to do something about the "unwieldy procedures and lack of coordination among relevant agencies... which give rise to critical constraints to export development" and the "simplification of formalities and the streamlining of procedures which make for delays and congestion at the ports and act as a hindrance to trade" so graphically described in the 1985 Budget. (Page 54).

What has happened to the "one-stop-shop to act as a clearing house for and to facilitate investment applications requiring approvals from the many authorities?" (P. 56).

The Prime Minister recognised (P. 56) that there was need to remove from the apparatus of the State the bottlenecks and grey areas which eventually add cost to, and even frustrate the conduct of business.

What has he done about it in 1985? Precious little! How can we believe anything he says!

"Details of the relevant mechanisms and procedures were to be announced after the Minister had had appropriate consultations with the relevant authorities and other interested parties." (P. 57).

## A lapse

After a lapse of one year businessmen are still having horrors with processing ECO applications and investors cannot get replies to their investment proposals.

On the troubled question of agriculture the Prime Minister told us in his 1985 Budget (P. 57) that there was going to be a reassessment of policies and expenditure in this sector following upon consideration of a report by a team of specialists from the Food and Agriculture Organisation of the United Nations.

Pending consideration of that report, which was submitted in 1984, the only plan the Government had for agriculture was removing almost all subsidies to farmers and diverting the resources of Caroni (1975) Ltd. from sugar to food production.

Agriculture occupied 11 pages of the 1985 Budget, seven of which were devoted to Caroni's diversification. (pp. 62-68). We were told that in 1985, 350 acres will be cultivated in rice in addition to the 120 acres already planted, with a production of two crops of 3000 pounds per acre.

Theoretically, therefore, Caroni should now be producing 2,820,000 pounds of paddy. Are they?

Would the Hon. Prime Minister tell us what is happening to the 520,000 pounds of cassava he said was being produced on 65 acres at 8000 pounds per acre, and the 280,000 pounds of pigeon peas he said was being produced on 70 acres at 4000 lbs per acre?

Or the 110 acres of coffee and the 100 acres of citrus they were supposed to have by the end of 1985?

In case he has forgotten I refer him to page 64 of his 1985 Budget Speech. Does he want me to tell him what happened to the cassava?

Instead of telling him I shall refer to a judgment of the Industrial court in Trade Dispute No. 26 to 1984 between the All Trinidad Sugar and General Workers Trade Union and Caroni (1975) Ltd.

At page 15 of that judgment the court had this to say: "The fact that the union saw fit to make the particular charges of corruption, however, is cause for serious concern; we are certain that the company will not forego any opportunity to investigate and correct any situation which could result in more productive use being made of the resources of its disposal."

We told him in our contribution to that Budget Debate that any policy for agriculture is bound to fail unless it made specific and definite proposals for marketing, processing downstream agro-industries.

Does the Prime Minister know that

rice farmers throughout the country have some 250,000 pounds of paddy which they cannot sell because the Central Marketing Agency is refusing to buy it? And for such paddy as they have sold they cannot be paid.

What has been Caroni's Gross Income from the 2,820,000 pounds of rice, the 520,000 pounds of cassava and the 280,000 pounds of pigeon peas?

That is assuming of course, if they produced any, or sold any. On the question of housing the Prime Minister said in the 1985 Budget (p 68):

"Government has long recognised that the provision of shelter is a basic need of the population and has, therefore, given highest priority to this activity."

It would be interesting to see how they perform when they give the highest priority to solving a problem.

The Prime Minister announced then that Government was changing the direction of its policy from providing fully completed dwelling units to one of providing lots. And in a voice that revealed no signs of shame he proudly announced:

"The public sector investment programme for 1985 includes financial provision for the start of new projects at Caroni (Racing Complex Site), Black Rock, Sangre Grande, Mayaro, Princes Town, Palo Seco, Rampanalga, Laventille, Dow Village, Harmony Hall, Bien Venue, Forbes Park, Plymouth, Old Government Farm and Williamsville, which will, by 1987, see 3,480 additional lots completed and distributed."

Do you know how much was in fact produced? 287; and they distributed 75.

And at page 73: "A total of 400 to 500 houses is expected to be completed in 1985 with an average construction time of four and one half months. During 1985 additional contractors will be added to the roster."

Mr. Speaker, do you know how many housing lots have been distributed in 1985? A mere 159 and a paltry 985 houses have been built; when some five years ago the Demas Report estimated that the back log alone was 40,000 units.

There you see in all its naked truth the difference between rhetoric and reality; between old talk and performance; between truth and falsehood.

It is against this background of corruption, maladministration and deceit that we must look at the 1986 Budget. But that is not the end of the grand deception of 1985.

The Public Service Review Task Force, having reported in February of 1984, the Public Service was to be reorganised, its system and methods modernised, so as to provide for:

- Proper management of our financial, human and physical resources with due regard to economy, efficiency and effectiveness; and,

- improving accountability and ensuring better value for money in the expenditure of public funds. Nothing has been done in this regard.

The Development and Environmental Works Division (DEWD), we were told (p. 77) had become a costly and escalating charge on the public purse and had not shown returns commensurate with expectations.

## Correction

By way of correction, its organisation and management was to be improved. Let me quote the Prime Minister again: page 78:

"Action will be taken in 1985 to ensure that the more basic causes of low productivity will be removed. Greater emphasis will be placed on the timely procurement and proper distribution of adequate materials to work sites to minimise the occurrence of the work being held up for lack of materials... there will be a review of the management structure of the Division, and more effective monitoring of its expenditure, recruitment and employment practices..." and provision for "ensuring greater timeliness and accuracy in the maintenance of financial records." (page 79).

Except for an attempt to shift the blame from one Minister to another, nothing has been done.

We have reached the end of 1985 and this Prime Minister expects us to believe him when he speaks.

Not only has this parasitic oligarchy that we call a Government continued unabated its emasculation of the Public Service, but for the greater part of the year DEWD workers were standing by without materials and equipment to work.

And they blame the workers for low productivity. Could the Prime Minister tell this country exactly what projects have been completed in 1985 by this division, and at what cost?

## Laughable

The Government's 1985 proposals for resuscitating the building industry were laughable had they not been so pathetic.

If what must have been the most hare-brained scheme ever conjured up by an empty head, the Government announced that it was prepared to entertain proposals from private enterprise for design finance and construct of overpasses at a number of critical intersections of the highways.

We told them, then, that was the best example we had ever seen of a Government that has lost its way and was totally without ideas of how to solve the nation's problems.

We are not surprised that they did not receive a single proposal for the overpasses, and none of merit for the construction of buildings on state lands.

You will recall, Mr. Speaker, that I told this Honourable House and the country that the 1985 Budget had failed to tackle the problems facing our people; that it contained no attempt to deal with our economic and social problems.

I said it was a Budget that had as its sole object the collection of money to be used for the purpose of corruption and for keeping the PNM oligarchy in power at any cost.

The grabbing was so rapacious that they even out-smarted themselves. They stuck their dirty fingers deep in everybody's pockets, and having milked the nation dry, they have now played their last card —

Devaluation has become necessary because there is no more to take from the people. And the only way they can finance the next election campaign is to get more TT dollars in exchange for the dwindling oil money. Let me show you what I mean:

This is how the 1985 Budget turned out:-

Revenue	Budget	Out-Turn	Difference
	\$M		
Tax on Income	4,570.7	3,797.6	- 773.1
Custom and Excise			
Duties	1,019.2	663.0	- 356.2
Motor Vehicle Taxes	192.0	149.9	- 42.1
Purchase Taxes	400.5	312.9	- 87.6
Other Tax Revenue	224.5	291.2	+ 33.3

Tax receipts from companies fell by \$290.4 million (i.e. 11.2 per cent) as business began collapsing like ten-pins while those that survived suffered massive drop in profits as a direct result of the madness contained in the 1985 Budget.

Tax receipts from individuals fell by \$191.0 million (or 25.8 per cent) below their estimate because of retrenchment and mass unemployment — the result of PNM policy or lack of it.

Total revenue receipts from Customs and Excise duties recorded a decrease of \$344.6 million (33.0 per cent) because of the import duties and the 12 per cent stamp duty on bills of entry imposed by the Government.

## Senseless

As a result of that senseless money grabbing exercise there was a total short fall in revenue of \$1,578.6 million.

Now when you recall that a Budget is a statement of income and expenditure you would realise that if you fail to collect the money you anticipated then all your proposals for expenditure would, of necessity, collapse.

If that happens then the Budget you present to the nation cannot be the Budget by which you run the country. And that is exactly what happened in 1985.

The Government had a secret Budget, or none at all. That is not the way to run a country — particularly if what you do, in fact, collect is squandered on corruption, maladministration and inefficiency.

Does the 1986 Budget provide any hope? I would say not: It is worse than the 1985 Budget.

From the very first page one gets the impression that the Prime Minister is a helpless and defeated man. Let me quote him:

"...We are placed in a position of having to find a means of reconciling the inescapable contraction of

economic activity with the protection of the gains we have made over the previous decade."

Why is contraction of economic activity "inescapable" when during the previous decade the Government had in its hands (or was it in its pockets) some \$60,000 million?

If the PNM, so overwhelmed with the desire to hold on to power, had not pilfered and/or squandered that money on buying votes, but instead had used it to develop the infrastructural base of a diversified economy, we could and would have avoided the inescapable contraction of economic activity.

The long-term development funds, we were told, was to last us for the next 30 years.

Two years after the oil boom ended the funds are gone. These are the shortest long term funds we have ever seen.

On the same page he laments: "...At the average prices prevailing in 1981... Government's revenue from the ... oil sector in 1985 would have been some \$835 million higher, and over the four years of this Parliament the additional revenue would have been in the order of \$2,600 million."

Why lament now? The fact is, you are in 1986 and not in 1981. And the duty of a responsible Government is to anticipate the future and to deal with situations as they arise.

The more important question is not what the revenue could have been but rather, what you would have done with it. But the most important question is — what have you done with what you did in fact get? The entire nation knows the answer to that one.

At page two the Honourable Prime Minister tells us how he is going to run the country and how he is going to deal with our problems:

"I submit that the only sensible and viable approach to cope with an adverse change of this magnitude... is the reining in of expectations and of expenditure... particularly the strong demand for imported consumer goods and services."

That is a most negative approach. It is one that would lead to hardship and suffering, particularly among the middle and lower income groups and the unemployed.

Carried to its logical conclusion that strategy says that the more you deny yourself the things you want; the more you starve yourself and the less you consume the better off you will be.

And, a fortiori, if you consumed nothing at all that is even better still. That is nonsense.

## Activity

Economic activity revolves around man's attempts to fulfil his desires, his needs, his wants. If you want to expand the economy you do not

smother his legitimate desires. Instead, you develop his capacity to produce in order to satisfy those wants.

There is not a single proposal in this entire Budget to deal with the question of productivity. But I am not surprised. Such a burning issue neither excites his imagination nor disturb his ossified equilibrium.

Listen to what he says instead: (Page 2): "The key to restoring an environment in which it can be expected that economic activity will expand is the striking of a balance between living within the constraints of the reduced resources and the augmenting of these resources by drawing on savings and by judicious borrowing."

That is his strategy for saving us from the economic mess into which the PNM Government has got us. And you know Mr. Speaker, he has the audacity to tell us that the results of that strategy has been impressive.

Why does he say that? What is the evidence? The Balance of payments account shows a trade surplus. A trade surplus, pure and simple, is not a plus in terms of human happiness — which is what good government is all about.

If it is the result of a fall in consumption, (which it was), that fact is consistent with human deprivation and suffering.

## Surplus

If for example, we imported nothing at all in 1985, and we all live on grass and leaves then we would have had an even longer trade surplus and an even stronger balance of trade.

A favourable balance of trade is only consistent with an improvement in living standards when it is the result of expanded trading, not a contraction, as is the case here.

Another measure of his success is that people travelled less in 1985. They stayed at home instead of going abroad for holidays, and the Government saved \$331 million.

If he had done like Guyana and no one went abroad on holidays he could have saved even more.

Is that what he wants for all of us? He has already made his world tour. Now the rest of us can stay at home.

The real evidence of the Prime Minister's wild boast that the PNM is guilty of "sound economic management" of the economy during the boom years is the incontrovertible fact that whereas in 1982 we had over \$8.0 billion in foreign reserves, that had been reduced to \$1.8 billion by September 1985. And the long term funds have all but disappeared.

That is sound management for you. The prodigal son has squandered what we were saving for our children. Let us kill the fatted calf for him.

And whereas unemployment had reached a low of below 10 per cent in 1981, unemployment is conservatively

estimated to have now reached 15 per cent.

The truth is that it is well in excess of 20 per cent, not including under-employment.

In addition some 15,000 school-leavers enter the labour market every year without the slightest hope of getting a job.

Since we are a highly monetarised society the only way one can survive, (honestly, that is,) is to earn income through employment, whether as a wage-earner or by being self-employed.

If our youths remain unemployed for too long they become unemployable, and it is then only a matter of time before they self-destruct.

A parent with children to care for and with no source of income would sooner or later consider the options of begging, crime, infanticide and suicide, or revolution.

Undoubtedly, unemployment is among the most pressing problem in our society today; and yet the Budget proposes precious little by way of solution.

With an unemployed population approaching 100,000 the Prime Minister proudly boasts that the great achievements of his Far East trip include getting a firm to set up a manufacturing venture to supply domestic and foreign markets involving an \$8 million investment and about 60 permanent jobs are "likely" to be established.

A third project with an investment of some \$4 million and "potential" for about 90 jobs has been firmed up.

## Proposals

As to his nebulous proposals for creating jobs by way of self-employment and commercialisation of traditional handicraft industries, the late Dr. Eric Williams was saying that soon after his return from his own Far East jaunt until he died in 1981.

Now this Prime Minister has taken up the same story. Let me show you what I mean. I quote from the Draft Second Five Year Plan — 1964-1968, page 161:

"Among the special measures proposed (for dealing with the problems of unemployment) are:

(a) That every encouragement should be given self-employed persons particularly in agriculture, handicrafts, and other activities centred in rural areas ..."

Then in the Third Five Year Plan 1969-1973, page 316: "A properly planned and developed handicraft industry can make a significant impact on urban unemployment and rural under-employment; serve as a channel for directing the artistic and creative talents of the people and can also provide an introduction to the organisation of small-scale industry and

commercial methods for the people at all levels..."

But the Government then, as the Government now, went further to deceive the people. Listen to this and note how closely it compares with today's Budget proposals:

"... But since then (i.e. 1967) a number of steps have been taken to improve the situation and arrangements have been made:

(a) For the establishment of a system of supplying raw materials for the straws section of the programme through cultivation of the necessary grasses on Crown Lands wherever available and suitable;

(b) through the University of the West Indies for a system of processing and storing these materials;

(c) for training courses for all Handicraft Tutors in advanced and modern methods of production, in design, in contemporary trends and in new crafts;"

(d) for assistance in these training programmes by an expert from the I.L.O. in Handicraft Production Design;

(e) for obtaining a marketing expert ... in the marketing of handicrafts from the OAS; and,

(f) for the establishment, jointly with local private enterprise, of a handicraft export company — Arts and Crafts Export Ltd., aiming at the production of handicrafts for export"....

## Necessary

Mr. Speaker, Members could easily be forgiven for thinking I was quoting from the 1986 Budget Speech.

Let me remind them, however, that I was reading from the PNM's Third Five Year Plan, 1969-1973. Let us see what this Prime Minister is saying in 1985. I refer to page 67 of the 1986 Budget Speech:

"... It is necessary to find innovative forms of employment and income generation particularly at the community level.

"In this regard systematic commercialisation of the traditional handicraft activities which have been fostered over the years offers attractive possibilities..

"It is clear that the basic support for successful implementation of such a programme to produce craft goods on a commercial scale are finance and marketing together with assistance in design and marketing techniques.

"Experts in design and marketing provided by the Commonwealth Fund for Technical Cooperation have in 1985 conducted surveys and studies on the capability of the existing handicraft industry as a result of which 60 prototypes have been selected.

"The Export Development Corporation is seeking to extend the scale of these products to foreign markets..."

"... I propose to make available the sum of \$250,000 to assist in making this

programme more systematic, orderly regular and, in time, larger in scale."

## Same thing

These are the innovative proposals for employment generation of a Prime Minister whose party said the same thing 16 years ago — the party which he says he has the honour to lead — a dubious honour indeed, if, in fact, he leads.

He admits that the introduction of an Employment Allowance introduced in 1974 with retroactive effect from 1972 has failed as a mechanism for creating employment, yet he re-introduces it as a proposal in this Budget — albeit with modifications.

Doesn't our learned Prime Minister know that under our economic system an employer would only employ a worker if it is profitable for him to do so? He does not do it as an act of charity or as a favour.

That is why the Employment Allowance idea has not worked, and will never work as an instrument for creating permanent, full time, well-paid jobs.

This must be the most glaring indication of a Government intellectually bankrupt and totally lacking in new ideas for nation-building.

The next most pressing problem facing our people — both the employed and the unemployed — is the problem of rising prices. Just as soon as inflation showed some slight signs of abate resulting from a temporary glut of some locally grown food, the PNM introduces measures in this Budget which would cause prices to sky-rocket in 1986.

In fact, within two days of the Budget announcement prices have begun to rise.

The subsidies to the poultry industry to broiler, breeders, hatcheries, contract broiler, growers, processing plants, have been removed.

The Prime Minister assures us, or maybe, attempts to mislead us, when at page 20 he says:

"In the light of the findings of the Commission of Enquiry (into the poultry industry) there can be no justification for an increase in the price of chicken."

Mr. Prime Minister, the day after your Budget the price of chicken went up from \$2.49 per pound to \$2.77 per pound.

It was unfortunate that the Prime Minister should seek to blame the pig farmers for the inefficiencies of the Central Marketing Agency, when he alleged that they supply poor quality pigs.

The pig farmers have been complaining for years that they experience grave difficulties in obtaining stock feeds, in selling their pigs on time, and in having to wait for years to be paid for their sales.

I would have expected the Prime Minister to seize this opportunity to make proposals for dealing with these problems.

A Budget Speech is not the occasion when I would expect to hear about the thickness of back-fat on pigs. The next thing I would hear is that the pigs are to be blamed for the economic mess we are in. And he would probably be right.

This Budget, in my view, puts the final nail in the coffin of agriculture. Not only are there no meaningful proposals for processing and downstream agro-industries, but local farmers will no longer be able to compete with imported foods.

While devaluation is going to mean higher production costs to the farmer, imported food will enjoy preferential treatment under the two-tier dual rate of exchange.

One cannot escape the impression that this Budget was not properly thought out. It does not address itself to the problems of the country and of the people. It is not surprising therefore, that it makes no proposals for dealing, in a fundamental way, with the structural constraints bedeviling the society. It is an act of desperation — a drowning man grasping at the last straw, regardless of whom it hurts.

The Prime Minister is like a man who has frittered away his huge fortune down to the last dollar, and now, in desperation, he is prepared to gamble his house on a million-to-one chance — with no thought for the consequences.

The only statement in the Budget of any significance is the devaluation of the TT dollar from \$2.40 to \$3.60 to the US dollar — a fall of 50 per cent in the external value of our currency.

To the man in the street that means that for every US dollar he must now pay \$1.20 more.

For the businessman it means that for everything he imports he must now pay 50 per cent more. But for the Government it means that for every US dollar they get from oil or whatever, they now have \$3.60 TT instead of \$2.40 — a 50 per cent increase.

## Clear plan

The Government's plan is as clear as the daylight. This is election year and they need money to buy votes.

Having squandered and pilfered the national patrimony of \$60 billion in the past 12 years, and having milked the nation dry by way of oppressive tax-



tion, there is now nowhere to turn for money to finance the 1986 elections.

No one in their right senses would dare to lend them that kind of money. So they descend to the bottom of the barrel and grab the last straw. Devaluation!

Without the slightest concern for the consequences to our people; without laying the foundation and making the necessary preparation to ensure that devaluation redounds to the benefit of the country, they drop a 50 per cent devaluation on the country, just so that they could have more TT dollars in 1986 to finance their elections.

At the end of the Budget Speech on Tuesday last, a PNM member of this House turned to a colleague of mine and said:

"You all were wondering where we would get the money to win the next elections? Well, now you know!" That is all that matters for this parasitic oligarchy.

No one doubts that devaluation, in certain circumstances, can be a useful strategy for development.

But the timing has got to be just right, and a lot of preparatory work has got to be done before you embark upon so desperate a move.

You must carefully work out the pros and cons, the gains and the losses, the benefits and the hardships, so that you can devalue to the level where you derive the optimum advantage of the devaluation.

### A warning

Devaluation, by its very nature, must be without warning. But you must be prepared, you must have the machinery in place, to deal with undue hardships that result from it.

Nothing has been said in the Budget Speech that tells us the reason for a 50 per cent devaluation? What benefits are we going to derive from such steep drop!

Why was it necessary? What is going to be the impact on prices and the cost of living?

If the purpose of the devaluation is to stimulate exports then you must examine the import content of your production.

For those industries that have a high ratio of imported raw materials to other inputs of production, that, plus the fact of increased port charges and other increased local cost arising out of the devaluation, would negate, to say the least, the competitive advantage on the export market expected to flow from the devaluation.

That is why you need to look at your import/export relationship.

The only sector likely to derive advantage on the export market in terms of competitiveness are those export-oriented industries that produce from a largely local raw material base.

How many of those do we have in Trinidad and Tobago? And are they

significant enough to outweigh the disadvantages of a 50 per cent devaluation?

Those are crucial questions, questions to which the Prime Minister appears not to have addressed his mind. I almost said "brain."

### Framework

What I am trying to say, Mr. Speaker, is that before you can benefit from devaluation you must have already had the necessary institutional framework in place.

The productive base of the economy should have been geared to production, for both local consumption and production based materials, unless, of course you have a workforce that exists at a subsistence wage, and your other costs are so low as to offset the increased cost of imported raw materials.

The motorcar industry is a good example. Because of this devaluation the price of motorcars is going to rise so steeply that demand would fall even lower than at present with the consequent loss of jobs and financial jeopardy of the assembly plants.

There is no way they are going to offset the fall in local demand by export sales, since the high cost of the CKD components would render them uncompetitive in the Caricom and extra-regional markets.

Merchants whose trade consist largely of imported goods are going to have to raise their prices to meet the increased cost of foreign exchange.

But if you think the higher prices are going to be a delayed reaction and would only apply to new stocks, consumers might as well disabuse their minds of that fallacy right now.

Many firms which operate on the prevalent system of 90-day credit have already received their goods (for which they have not yet paid) and sold it at a price based on the assumption that the rate of exchange would be \$2.40 per US dollar.

Now that they must pay for those goods at the rate of \$3.60 per US dollar, many firms are threatened with bankruptcy.

In order to save themselves from total collapse they have immediately raised the price of remaining stocks. The Budget was on Tuesday and prices went up on Wednesday.

The full impact of the devaluation on prices will not be felt until about the middle of next year. When it does, the suffering of 1984 and 1985 would seem like paradise.

I suspect that the Prime Minister will call an election before then. After all, wasn't that the objective of the entire devaluation exercise?

But while the PNM is scheming to be returned to power in 1986, literally thousands of students who are studying abroad will have their education mercilessly terminated.

Yesterday I spoke to a lady in Port-of-Spain, who was crying that she was

struggling for the past few years to maintain her son at university in Canada.

She has invested her life savings in the education of her only child. There is no way she can continue to keep him at school, the cost of so doing having risen by 50 per cent.

He will have to come home for Christmas never to return to complete his education. She says she is paying the price for voting PNM.

What hurts her so much is that her innocent son, who is guilty of no such crime, must also pay for her folly. Truly it has been said, the sins of the parents will fall on the children. She is one of thousands.

The Government knows, or ought reasonably to have known that their precipitate action would create this kind of tragedy.

They have a moral duty to abate it — if, indeed, they have any morality left in their soul.

If, as the Prime Minister says (at page 82) that "rational economic management demands that the exchange rate be demystified, then the adoption of the two-tier dual rate system in any devaluation exercise is a formula for corruption and a recipe for confusion.

The existing rate of \$2.40, he says, will apply to a range of foods, drugs, agricultural inputs and schoolbooks.

Will the Central Bank operate as a Customs Department in determining the classification of goods under these heads?

Where is the machinery for deciding which goods qualify for the lower rate? The answer is that there is no such machinery.

Do you know that since the Budget Speech the commercial banks have completely stopped selling foreign exchange at the lower rate?

They do not know what to do, and they are taking no chances. You either pay the \$3.60 or you get no exchange — whether it be for food, drugs, schoolbooks, or what have you.

Some men are going to become millionaires overnight with the two-tier proposal. You want to bet who they will be?

But with devaluation we are going to have to pay higher prices all round. Therefore, real wages are going to fall, and those on fixed incomes are going to suffer a sharp fall in their standard of living.

In order to maintain their living standards the workers would have no choice but to demand higher wages and salaries.

### Rising prices

Depending on the extent of their success, the anticipated advantages of devaluation would be negated and



you are back to square one, where the only option is further devaluation.

If the workers are frustrated in their demand for higher wages and salaries while their standard of living continue to fall, then we are more likely than not going to see a deteriorating industrial relations climate and, possibly, violent upheavals.

Once you start on the road to devaluation without first having broadened and diversified your local productive base, the inevitable consequence is rising prices and an unending series of further and further devaluation.

It is against this background of rising prices that the minuscule increase to pensioners and the poor reek of so much fraudulent electioneering.

A pensioner getting \$500 per month gets an increase of \$200. That is a 40 per cent increase. But in foreign exchange terms the value of his money has fallen by 50 per cent.

At least, to that extent he is 10 per cent worse off. If he is getting \$2,000 per month, he gets an increase of \$150 or 7.5 per cent.

The day following the Budget he was worse off by far, — several firms having marked up their goods by 50 per cent, the extent of the devaluation.

The old age pensioners and those on public assistance are in no better position. In fact, they are many times worse off now than they were before the Budget.

The youths for whom so much crocodile tears were shed in the Budget... do you know what is going to happen to them as a result of the devaluation?

Already you have created economic conditions in which they cannot find jobs. Already you have frustrated them to the point where many have unfortunately succumbed to drugs.

To those who took to sports in order to resist your pressures, you, the PNM oligarchy, now impose a penalty on them. They must now pay at least 50 per cent more for sporting equipment. Live horses are more important than they.

1986, being election year, the Prime Minister could not resist throwing out a bait for the squatters. Now it is for

them to catch.

You know, Mr. Speaker, the PNM oligarchy must have enormous contempt for people. They must really believe our people are fools, playthings to be toyed with at their whim and pleasure.

Since December 2, 1977, these PNM jokers promised the squatters on State lands that their occupancy would be regularised.

Between that time and now they have ruthlessly demolished the homes of hundreds of squatters.

### Mad onslaught

In order to stop their mad onslaught against the squatters we brought a case in the High Court against this Attorney-General.

The matter was brilliantly argued by my colleague and ally Mr. Karl Hudson-Phillips. We won. They appealed, but they continued to violate the law and wreak havoc on squatters.

The people of Guayamare are landowners, and they are about to have their homes demolished without compensation. They will join the ranks of the squatters.

The Government prefers to spend \$27 million for delaying the contractors rather than spend less than \$1 million to compensate and relocate law abiding citizens.

And now they come to tell squatters: After having kept you dangling in a state of uncertainty and terror for eight long years we now promise to implement a promise we made to you since December 2, 1977; because this is election year.

Never in my life have I seen a display of such contempt for the people.

I trust the people will not feel contempt for themselves, and that they will demonstrate, in no uncertain manner; that they will no longer tolerate any further disrespect to their integrity.

For the nine years that I have been in this House, we on this side have been telling the Government the answer to the colossal housing problem is the development and distribution of housing.

### How it's done

When they would not listen the Member for St. Augustine set up the Sou Sou Lands project to show them how it's done.

In the 1985 Budget the Prime Minister announced a change in Government's housing policy — that is, to the distribution of housing lots.

And after one year with all the power, might and resources of the State, this great Government has completed 32 lots at Circular Road, San Fernando, and 43 lots at Parkside.

John Humphrey with no such resources has produced over 1,200 lots within the period of two years, more than the Government has done in ten years.

Need I tell you further who should be running this Government?

Mr. Speaker, I had intended to deal in some detail with our proposals for dealing with the problems facing our people and swinging the economy around. But time does not permit.

My able colleagues in the Opposition would oblige. In conclusion let me say that during my nine years in Parliament this is the first time I have ever heard a Budget presentation in which the Government fails to render its account to the Parliament and the country.

Not only have they failed to inform us whether last year's Budget was a success or a failure, but they have failed in this Budget to even tell the country how much they propose to collect by way of revenues and how much they intend to spend.

Nowhere in the Budget can you find the traditional statement of revenue and expenditure on the Capital and Current account.

This is undoubtedly the worst case of accounting I have ever seen in my life. Hopefully, the end is near.

Permit me to end, therefore, on a note of hope. I have seen the light in our people's eyes.

As we enter the homestretch I can feel the warmth of their surge as it envelops my spirit.

They are eager for change. They are ready to shake off the burden that has stunted their growth. They walk tall. At last, soon they will be free.

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CSO: 3298/286

ROBINSON CHIDES CHAMBERS FOR WITHHOLDING ACCOUNTS

Port-of-Spain EXPRESS in English 10 Jan 86 p 32

[Article by Anthony Milne]

[Text]

NATIONAL Alliance for Reconstruction leader A.N.R. Robinson charged last night that Prime Minister George Chambers had failed seriously in his duty in not disclosing in his Budget speech the state of the Government's accounts.

Robinson was speaking at a public meeting organised by the NAR in Woodford Square, where deputy party leaders Karl Hudson-Phillips and Basdeo Panday were the other speakers.

The NAR leader referred to May's work on parliamentary practice and the Trinidad and Tobago Constitution to show what a Minister of Finance's duties are where budget speeches are concerned. He said the Minister ought to review the previous year's achievements and shortcomings, and make projections for the coming year, saying how he intends to raise additional revenue.

"His business is to explain why he is adopting a particular method

of raising money to meet the gap and what consequences that method is likely to have for the Government and the economy and the population as a whole."

Robinson charged that this is exactly what the Budget lacked, and he knew why.

"It was a deliberate attempt to mislead the population. It was clear to me that the situation was so horrendous, the disaster was so great in respect of the accounts of 1985, that the Minister dared not reveal these facts at this early stage in his Budget."

He said disclosure of the accounts would have made it clear that the Government is bankrupt and unable to meet its commitments in respect of 1986.

Deputy leader Karl Hudson-Phillips told the meeting that the question of opposition unity will be the deciding factor in the next election.

He added that the real issues of the next election must include the lot of the DEWD worker,

the moral and physical decline of young people, the education system which is in shambles, and aged citizens living on scanty pensions.

He also addressed the question of the release of information by PLIPDECO to the Public Accounts and Enterprises Committee.

He said all the shares in PLIPDECO are held by the Minister of Finance on behalf of the citizens of Trinidad and Tobago.

"For this reason alone," he said, "there must be a degree of frankness and openness with its financial affairs over and above that of the ordinary trading company."

Last night's meeting launched the NAR's campaign for the next general election, expected later this year. It has been learnt that former Tapia leader Lloyd Best, who has been working for the United Nations in Africa, is expected to return to Trinidad and Tobago on February 7.

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CSO: 3298/286

ROBINSON SEES TWO NAR PLANKS: SEPARATE TOBAGO, RACISM

Port-of-Spain TRINIDAD GUARDIAN in English 11 Jan 86 p 3

[Text]

CAMPAIGN strategy of the ruling People's National Movement (PNM) in the next general elections (constitutionally due by February 1987 but can be called anytime before that date) would be based on two planks — separate Tobago from Trinidad and race in Trinidad.

Arthur Napoleon Raymond Robinson, Political Leader of the National Alliance for Reconstruction (NAR), predicted this when he addressed a public meeting of NAR at Woodford Square, Thursday night.

Mr. Robinson told the crowd: "I am sure as night follows day and I am warning you that will be their two planks."

A former PNM Minister of Finance, Mr. Robinson headed the list of three main speakers at the well-attended meeting. Others were Leader of the Opposition Basdeo Panday and Karl Hudson-Phillips, both Deputy Leaders of NAR.

Mr. Panday caused raised eyebrows when he claimed that Government attempted to borrow \$300 million from the United States mafia at nine per cent interest.

"When the International Monetary Fund found out they were told that if the deal went through they would be black-listed from every

international financial institution."

Mr. Panday, who said he was prevented from saying this in Parliament during his contribution to the 1986 Budget debate, added that somebody had to be joking if they thought he was revealing his sources of information on the alleged aborted deal.

"I will not jeopardise my colleagues," he added.

As expected in this political season, three issues occupied the attention of the NAR speakers — the reported shooting of Minister of Industry and Commerce, Senator Wendell Mottley, the City Council/Millette International affair and devaluation of the TT dollar.

Mr. Panday warned there would be chaos when the effects of the devaluation began to hit the population by March this year. The cost of living would be increased by 27 to 30 per cent, he added.

Mr. Hudson-Phillips, who recently announced the Organisation for National Reconstruction of which he is Political Leader would soon be dissolved making way for NAR to become a unitary party, claimed all indications were that the PNM was taking steps to ensure that the forthcoming general elections would not be free and fair.

Stressing he was not talking about the Chairman and members of the Elections and Boundaries Commission, Mr. Hudson-Phillips said: "He (the Chairman) is not with the temporary registration officers skipping houses during the registration exercise. He has no say in the employment of the

persons.

"But you must remember that it is only if you love Trinidad and Tobago can you save this country from becoming another Guyana where the party is doing everything to stay in power and where the country is divided along racial lines."

One major decisive factor in the elections he said, was the coming together of the Opposition parties to form NAR, and the PNM was a minority Government based on the results of the 1981 general elections.

Mr. Hudson-Phillips who like other speakers praised fasting Senator Lincoln Myers, Chairman of the Public Accounts (Enterprises) Committee "for putting his life on the line" in the fight against corruption, said only one party in opposition to the PNM resisted overtures to bury the hatchet in the interest of Trinidad and Tobago.

Mr. Hudson-Phillips did not identify the party but political observers concluded Mr. Hudson-Phillips referred to the National Joint Action Committee (NJAC).

In what was seen as the start of the NAR campaign for the polls, Mr. Robinson, referring to a PNM slogan — one government, one nation, one leader — said "One government, one nation, no leader."

Government, he said, was not serious about fighting corruption. He backed this up by the non-establishment of the Integrity Commission and accused Attorney General Russell Martineau of refusing or neglecting to come to terms with the issue of integrity.

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CSO: 3298/286

**POLICE PROBE DRUG LINK TO PORT DISCOVERY OF WEAPONS**

**Guns in Container**

Port-of-Spain TRINIDAD GUARDIAN in English 4 Jan 86 p 3

[Text]

POLICE are investigating a possible drug link following the discovery of guns in a container of grapes on Sunday. The container was one of six brought to Trinidad on December 20 from Florida. It was consigned to a Baratara fruit dealer and another man, but was never claimed.

Port personnel discovered the weapons (Magnum .45 pistols and snub-nosed .38 revolvers) on Sunday when one of the containers was broken into. Police spent Thursday and all yesterday searching through the other five containers to see if more guns were hidden in them.

No more were found, it was reported.

Investigators have also linked Sunday's discovery to an incident two weeks ago when a container that was supposed to have a shipment of frozen turkeys was found to be empty. A police — Customs team is investigating this.

According to members of the team, since investigations into the fraudulent removal of containers from the Port began in 1985, security surrounding container operations has been stepped up considerably.

**GUARDIAN Comment**

Port-of-Spain TRINIDAD GUARDIAN in English 4 Jan 86 p 6

[Editorial: "Guns in Grapes"]

[Text]

A FRESH shocker, guns in the grapes!

Let us now hope that this lucky discovery by Port personnel will bring home to the authorities and our peace-loving community the need for unrelenting vigilance to keep our country safe and secure.

The idea that some person or

persons in our society are importing firearms in containers ostensibly loaded with grapes is not something that we can dismiss as petty smuggling. Indeed, we must see in it nothing less than a threat to the peace and stability of our country as a whole.

It is well known that an occasional hand-gun is brought into

the country by foreign seamen or smuggled in from nearby Venezuela, but the wholesale shipment of arms in containers is something else entirely.

It seems that somebody is preparing to fight a war on the soil of Trinidad and Tobago.

## Sinister

As yet, this newspaper has not been able to get at all the facts surrounding this shocking discovery on the Port-of-Spain waterfront on Sunday. The police, however, have confirmed that a quantity of guns, including the deadly Magnum .38 pistols, has been found in containers carrying fruit and consigned to a local fruit dealer and an associate.

The containers arrived here on December 20 aboard the "Caribbean Victory" from Florida but up to now they have not been claimed. The fact that they held a more sinister cargo than grapes was discovered only by accident, according to the reports we have received.

Apparently someone broke into one of the containers and helped himself to several bunches of grapes. Shortly after he was caught red-handed by Port personnel who stumbled upon the guns when they tried to put the stolen grapes back into the container and close it properly.

On Thursday the police set about searching all six containers which had arrived on the same shipment but we have not been told about how much arms they eventually found.

Still, we must now wonder whether this is the first such "consignment" to enter the country. And what was in that other empty container found on the docks two weeks ago?

These are very serious questions for the Customs, the Police and the Minister of National Security to look at. Already the country is beset by an unacceptable level of crime involving guns; Thursday's \$100,000 bank robbery being just the latest example.

With TT's economy in decline and unemployment steadily on

the rise, there is growing concern that this violent trend may tend to escalate. But apart from supplying the criminal element with more arms, there is also the possibility that some group of power-hungry lunatics may be hatching a far more ominous plot against the society.

Entry of any considerable quantity of arms into a country must be seen as a threat to its internal security. No one knows to what use such arms will be put and the criminal or political intent of its owners.

Clearly this incident demands the most rigorous investigation.

Security at the container terminal must now be stepped up and so too the system of Customs inspection of containers unstuffed at the premises of consignees, particularly those who are not regular or traditional importers.

According to our information, more than 150 containers are moved out of ships every day at the docks and about 100 of them leave the waterfront for outside inspection. But with a limited staff of Customs Officers to handle this traffic — and mostly after normal working hours — the result is that many containers remain for days on the road or on business premises.

## Fictitious

It takes no great imagination to see how a container, whatever the "cargo" it may hold, can be stolen while awaiting customs inspection. A better system for clearing containerised cargo must be found to plug this loophole.

The fact that the discovery of arms was purely accidental is a hint that this could be a well-worked system. In June last year, Assistant Solicitor General Ranjle Dolsingh started an investigation into the mysterious disappearance of several containers from the docks.

False stamps and papers had been used to send these containers to fictitious addresses in Trinidad from whence they simply disappeared. It is anybody's guess what those containers brought to Trinidad. Arms? Drugs?

Perhaps we owe the ultimate protection and security of our country to Providence, hence the accidental discovery of guns in the grapes. But it is necessary for us to act on this fortuitous tip-off.

A thorough investigation is required, plus a tightened security system to prevent a recurrence. More guns in the hands of criminals is an intolerable state of affairs.

TRINIDAD AND TOBAGO

CHINESE TEAM ASSESSING FURNITURE, CERAMICS INDUSTRIES

FL202342 Bridgetown CANA in English 2226 GMT 20 Jan 86

[Text] Port-of-Spain, 20 Jan (CANA)--A five-man Chinese technical investigation group is in Trinidad and Tobago to look into the viability of the country's ceramic and furniture industries. The mission--including representatives of Woon Han Corporation of China--are to spend the next ten days meeting with local manufacturers and researchers in the two areas. They also intend to visit local teak forest and local clay pits and meet with researchers in clay at the St Augustine Campus of the University of the West Indies.

The team which arrived here early Friday, met the same day with Industry Minister Senator Wendell Mottley and with officials of the Industrial Development Corporation (IDC).

Leader of the mission, Zhao Zhenwen, managing director of the corporation, said at a breakfast meeting today that their team will be carrying back its report on the local industries for the Chinese Government. The visit is a result of a trip to China last year by Prime Minister George Chambers as part of a month overseas mission aimed at drumming up trade and investment. IDC Chairman Arthur Lokjack said that Trinidad and Tobago is hoping to promote the use of its teak in high quality furniture making and the use of its ceramic in cottage industries.

Another six-member mission is expected from China later this year to follow up on the result of the investigation.

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CSO: 3298/286

## TRINIDAD AND TOBAGO

### BRIEFS

REFINERY MAINTENANCE--San Fernando--Trinidad and Tobago Oil Company Ltd (Trintoc) spent about \$15 million in maintaining units at the Pointe-a-Pierre refinery last year in order to bring them back on stream. Minister of Energy and Natural Resources, Patrick Manning disclosed this yesterday after he consulted Managing Director Walton James and Chairman of the Board, W. Andrew Rose, in response to a question by the news media on the matter. Mr Manning, made the remarks while speaking at a news conference held at Beaumont Hill Centre, Pointe-a-Pierre, after holding his first annual technical meeting with Trintoc. He said that since Trintoc assumed responsibility for the total refining industry in the country the first thing it sought to do was to inter-link the previously existing two refineries, now operated as one. The Minister said the company looked at the various plants it acquired and found that almost every unit that has to be utilised was in need of major maintenance operation, and this had been undertaken since the company, acquired control of the Pointe-a-Pierre refinery from Texaco in March last year. "Slowly but surely the various units are being brought back on stream," he said. [Text] [Port-of-Spain TRINIDAD GUARDIAN in English 14 Jan 86 p 1] /9274

CSO: 3298/286

## VENEZUELA

### BRIEFS

U.S. ENVOY REITERATES CONTRAD AID--Coinciding with the visit in Caracas of Harry Schlaudemann, the U.S. envoy to Central America, Nicaraguan counter-revolutionary forces announced the creation of a so-called interim national conciliation government. The announcement made by leaders Alfonso Robelo and Arturo Cruz was made simultaneously with statements made in Caracas by Schlaudemann, who disregarded the peace message of Caraballera and said that the United States will continue to grant military aid to military groups fighting against Nicaragua. [Text] [Havana International Service in Spanish 0000 GMT 24 Jan 86 PA] /6662

OAS CONDOLENCES FOR FORMER MINISTER--Washington, Jan 25, CANA--Ambassador Albert Xavier of Grenada, chairman of the Permanent Council of the Organization of American States, sent a message of condolences to the Venezuelan Government following the recent death in a plane crash in Guatemala of Aristides Calvani, former Venezuelan foreign minister. Dr Calvani will be remembered at the OAS as one of the greatest promoters of the reform process in the context of inter-American relations, Xavier said on behalf of all members of the council. Calvani served as minister of foreign affairs of Venezuela during the first half of last decade and Xavier said in his message that his strong appeal for a re-thinking of the future role of the OAS was not in vain. [Text] [Bridgetown CANA in English 1339 GMT 25 Jan 86 FL] /6662

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